PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 13, 2024

TACOMA PUBLIC SCHOOLS
EVERY STUDENT. EVERY DAY.

$146,465,000[(1)]
TACOMA SCHOOL DISTRICT NO. 10
Pierce County, Washington
Unlimited Tax General Obligation Bonds, 2024

DATED: Date of Delivery (estimated to be October 15, 2024) **DUE: December 1, as shown on the inside cover**

Ratings—	**Moody's Ratings:**	Underlying, Aa3; Washington State School District Credit Enhancement Program, Aaa
	S&P Global Ratings:	Underlying, A+; Washington State School District Credit Enhancement Program, AA+

(*See* "Ratings" and Appendix D – "Washington State School District Credit Enhancement Program" herein).

Book-Entry Only— Tacoma School District No. 10, Pierce County, Washington (the "District") will issue its Unlimited Tax General Obligation Bonds, 2024 (the "Bonds") in fully registered form under a book-entry only system in denominations of $5,000, or integral multiples of $5,000 within a maturity ("Authorized Denominations") and will be initially registered in the name of Cede & Co., as the nominee of The Depository Trust Company ("DTC"). DTC will act as initial securities depository for the Bonds. The owners of any beneficial interest in the Bonds (the "Beneficial Owners") will not receive certificates representing their interest in the Bonds purchased. *See* "Description of the Bonds – Bond Registrar and Registration Features" and Appendix B – "Book-Entry Transfer System" herein.

Principal and Interest Payments—Interest on the Bonds will be payable semiannually on June 1 and December 1 of each year, beginning on June 1, 2025, to their stated dates of maturity or earlier redemption. The Bonds will mature on the dates and in the principal amounts as set forth on the inside cover page of this Official Statement. The Finance Director of Pierce County, Washington, as *ex officio* treasurer of the District (the "Treasurer"), has appointed the fiscal agent of the State of Washington (the "State") as the initial authenticating agent, paying agent and registrar for the Bonds (the "Bond Registrar"). *See* "Description of the Bonds – Bond Registrar and Registration Features" herein. Principal of and interest on the Bonds will be payable by the Bond Registrar. For so long as the Bonds remain in a "book-entry only" transfer system, the Bond Registrar will remit such payments only to DTC, which in turn is obligated to remit such principal and interest to its participants for subsequent disbursement to Beneficial Owners of the Bonds. Principal of and interest on the Bonds will be payable to the persons in whose names such Bonds are registered (the "Registered Owners"), at the address appearing upon the registration books on the 15th day of the month preceding an interest payment date. *See* "Description of the Bonds – Principal Amount, Date, Interest Rates and Maturities" and "Bond Registrar and Registration Features" and Appendix B – "Book-Entry Transfer System" herein.

Purpose— The Bonds are being issued to finance the costs of capital construction and capital improvements to the District's educational facilities. *See* "Purpose and Use of Proceeds – Purpose" herein.

Maturity Schedule Located on Inside Cover

Redemption—Certain of the Bonds are subject to redemption prior to their stated maturity dates. *See* "Description of the Bonds – Redemption Provisions" herein.

Security—The Bonds constitute valid and legally binding general obligations of the District. The District has irrevocably pledged that, for as long as any of the Bonds are outstanding, the District will levy taxes annually without limitation as to rate or amount on all taxable property within the District in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the Bonds. The full faith, credit, and resources of the District are irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of such principal and interest. The Bonds do not constitute a debt or indebtedness of Pierce County (the "County"), the State, or any political subdivision thereof other than the District. *See* "Security for the Bonds" herein.

Payment of principal of and interest on the Bonds when due is guaranteed by the full faith, credit, and taxing power of the

State of Washington

under the provisions of the Washington State School District Credit Enhancement Program. See Appendix D attached hereto and titled "Washington State School District Credit Enhancement Program."

Tax Exemption—In the opinion of Foster Garvey P.C., Seattle, Washington ("Bond Counsel"), under existing federal law and assuming compliance by the District with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issue date of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals. However, interest on the Bonds will be taken into account in determining adjusted financial statement income that may be subject to the alternative minimum tax applicable to certain corporations, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. Receipt of interest on the Bonds may have other federal tax consequences for certain taxpayers. *See* "Tax Exemption" and "Certain Other Federal Tax Consequences" herein.

Delivery— The Bonds are offered when, as and if issued and delivered, subject to the final approving legal opinion of Bond Counsel. The "Form of Bond Counsel Opinion" is attached hereto as Appendix A. Bond Counsel will also serve as disclosure counsel to the District. Certain legal matters will be passed upon for the Underwriters by their special counsel, K&L Gates LLP. It is expected that the Bonds will be available for delivery to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer on or about October 15, 2024 (the "Date of Delivery").

RBC Capital Markets® RAYMOND JAMES®

(1) Preliminary, subject to change.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

$146,465,000(1)

Tacoma School District No. 10

Pierce County, Washington

Unlimited Tax General Obligation Bonds, 2024

DATED: Date of Delivery (estimated to be October 15, 2024) **DUE: December 1, as shown below**

MATURITY SCHEDULE—

Due December 1	Amounts(1)	Interest Rates	Yields	Prices	CUSIP(2)
2026	$25,500,000				
2027	26,770,000				
2028	2,635,000				
2029	2,770,000				
2030	2,910,000				
2031	3,055,000				
2032	3,205,000				
2033	3,365,000				
2034	3,535,000				
2035	3,710,000				
2036	3,895,000				
2037	4,090,000				
2038	4,295,000				
2039	4,510,000				
2040	4,735,000				
2041	4,975,000				
2042	5,220,000				
2043	5,485,000				
2044	5,755,000				

$26,050,000(1) _____% Term Bond due December 1, 2048 to yield _____% at a price of ______% CUSIP No. ________

(1) Preliminary, subject to change.

(2) The CUSIP data is provided by CUSIP Global Services ("CGS"), currently managed on behalf of the America Bankers Association by FactSet Research Systems Inc. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CGS. CUSIP numbers have been assigned by an independent company not affiliated with the District and are provided solely for convenience and reference. The CUSIP numbers for a specific maturity are subject to change after the issuance of the Bonds. None of the District, the Underwriters, the Financial Advisor or their agents or counsel assumes responsibility for the accuracy of the CUSIP numbers.

Tacoma School District No. 10
Central Administration Building
601 South 8th Street
Tacoma, Washington 98405
(253) 571-1000
http://www.tacomaschools.org(1)

Board of Directors

Lisa J. Keating	President
Korey Strozier	Vice President
Elizabeth Bonbright	Member
Enrique Leon	Member
Chelsea McElroy	Member

School Administrative Staff

Joshua J. Garcia	Superintendent and Secretary to the Board of Directors
Rosalind Medina	Chief Financial Officer
Veronica Birdsong	Director of Financial Services
Cary Campen	Director of Strategic Financial Operations

Pierce County Officials

Mike Lonergan	Assessor/Treasurer
Gary Robinson	Pierce County Finance Director, as *ex officio* Treasurer of the District

Underwriters

RBC Capital Markets, LLC
Denver, Colorado

Raymond James and Associates
Los Angeles, California

Bond Counsel and Disclosure Counsel

Foster Garvey P.C.
Seattle, Washington

Financial Advisor

PFM Financial Advisors LLC
Seattle, Washington

Bond Registrar

Washington State Fiscal Agent
Currently, U.S. Bank Trust Company, National Association
Seattle, Washington

(1) This inactive textual reference to the District's website is contact information provided only for convenience. The reference is not a hyperlink and, by this reference, the District's website is not incorporated into this Official Statement.

This Official Statement does not constitute an offer to sell the Bonds in any jurisdiction in which or to a person to whom it is unlawful to make such an offer. No dealer, salesperson, or other person has been authorized by the District or RBC Capital Markets, LLC, on behalf of itself and Raymond James and Associates (together, the "Underwriters") to give any information or to make any representations, other than those contained herein, in connection with the offering of the Bonds and, if given or made, such information or representations must not be relied upon. The District makes no representation regarding the accuracy or completeness of Bond Counsel's Form of Opinion, the information provided in "Financial Factors – Pierce County Investment Policy," which has been provided by Pierce County, or the information provided in "The District – Risk Management – Washington Schools Risk Management Pool" which has been provided by the Washington Schools Risk Management Pool, information related to the Underwriters or the District's Financial Advisor, or information provided by the Underwriters regarding the reoffering prices, Appendix B—"Book-Entry Transfer System," which has been provided by DTC, or in Appendix D—"Washington State School District Credit Enhancement Program," which has been provided by the State, or other information provided by third parties. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of the provisions. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the District since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Preliminary Official Statement has been "deemed final" by the District, pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, except for information which is permitted to be excluded from this Preliminary Official Statement under said Rule 15c2-12.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Bond Resolution, defined herein, has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Bonds in accordance with applicable provisions of securities laws of the States in which the Bonds have been registered or qualified and the exemption from the registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

Information on website addresses set forth in this Official Statement, including the District's, is not incorporated into this Official Statement and cannot be relied upon to be accurate as of the date of this Official Statement, nor should any such information be relied upon in making investment decisions regarding the Bonds.

The presentation of certain information, including tables of receipts from taxes, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. Information relating to debt and tax limitations is based on existing statutes and constitutional provisions. Changes in State law could also alter these provisions.

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OFFICIAL STATEMENT

Tacoma School District No. 10
Pierce County, Washington

$146,465,000[(1)]
Unlimited Tax General Obligation Bonds, 2024

This Official Statement, including the cover page, the appendices attached hereto and the documents incorporated herein by reference, is being provided by Tacoma School District No. 10, Pierce County, Washington (the "District"), a municipal corporation duly organized and existing under the laws of the State of Washington (the "State"), to furnish information in connection with the issuance of $146,465,000[(1)] aggregate principal amount of its Unlimited Tax General Obligation Bonds, 2024 (the "Bonds").

The Bonds are issued pursuant to the constitution and laws of the State, including chapters 28A.530, 39.36 and 39.46 of the Revised Code of Washington, as amended ("RCW"), and Resolution No. 2146 of the District adopted by the District's Board of Directors (the "Board") on July 11, 2024, authorizing the issuance of the Bonds (the "Bond Resolution"). See "Description of the Bonds – Authorization for Issuance"" below. Unless otherwise defined in this Official Statement, capitalized terms used herein will have the meaning or meanings as set forth in the Bond Resolution.

Brief descriptions of the Bonds, the District, the Bond Resolution, and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, reports, or other instruments described herein are qualified in their entirety by reference to each such document, statute, report, or other instrument. Information contained herein has been obtained from officers, employees, and records of the District and from other sources believed to be reliable. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

Certain statements contained in this Official Statement do not reflect historical facts, but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, words such as "estimated," "projected," "anticipate," "expect," "intend," "plan," "believe," and similar expressions are intended to identify forward-looking statements. All projections, assumptions, and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

Description of the Bonds

Principal Amount, Date, Interest Rates, and Maturities

The Bonds will be issued in the aggregate principal amount of $146,465,000[(1)] and will be dated and bear interest from the Date of Delivery. The Bonds will mature on the dates and in the principal amounts and will bear interest, payable semiannually, on June 1 and December 1 of each year, beginning on June 1, 2025, until the maturity or earlier redemption of the Bonds at the rates set forth on the inside cover page of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Redemption Provisions

Optional Redemption. The Bonds maturing on or before December 1, 2034[(1)], are not subject to optional redemption prior to maturity. The Bonds maturing on or after December 1, 2035[(1)] are subject to redemption at the option of the District, prior to their stated maturity dates, in whole or in part, on any date on or after

(1) Preliminary, subject to change.

__________[(1)], at a price equal to the stated principal amount to be redeemed plus accrued interest, if any, to the date of redemption.

Mandatory Redemption. The Bonds stated to mature on December 1, 2048[(1)] are Term Bonds and, if not redeemed under the optional redemption provisions as described above, defeased or purchased by the District and surrendered for cancellation in accordance with the provisions of the Bond Resolution, will be called for redemption at a price equal to the stated principal amount to be redeemed, plus accrued interest, on December 1 in the years and principal amounts as follows:

Mandatory Redemption Year (December 1)[(1)]	Mandatory Redemption Amount[(1)]
2045	$6,045,000
2046	6,345,000
2047	6,665,000
2048*	6,995,000

*Final maturity.

If a Term Bond is redeemed under the optional redemption provisions, defeased or purchased by the District and surrendered for cancellation, the principal amount of the Term Bond so redeemed, defeased or purchased (irrespective of its actual redemption or purchase price) will be credited against one or more scheduled mandatory redemption installments for that Term Bond as described in the Bond Resolution.

Selection of Bonds for Redemption. If fewer than all of the outstanding Bonds are to be redeemed at the option of the District, the District will select the maturities to be redeemed. For as long as the Bonds are in book-entry only form, if fewer than all of the Bonds of a maturity are called for redemption, the selection of Bonds within a maturity to be redeemed will be made by DTC in accordance with its operational procedures then in effect. *See* Appendix B attached hereto. If the Bonds are no longer held in book-entry only form, then the Bond Registrar would select Bonds for redemption randomly within a maturity in such manner as the Bond Registrar determines.

Partial Redemption. All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any Authorized Denomination. If less than all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there will be issued to the person in whose name a Bond is registered (the "Registered Owner"), without charge a new Bond (or Bonds, at the option of the Registered Owner) of the same maturity and interest rate in any Authorized Denomination in the aggregate principal amount remaining unredeemed.

Notice of Redemption (Book-Entry). So long as the Bonds are in book-entry only form, notice of any redemption of Bonds will be given as required by the operational arrangements of DTC referenced in the Blanket Issuer Letter of Representations, dated April 30, 1996 (the "Letter of Representations"), between the District and DTC. The District reserves the right to provide conditional notice and to rescind any optional redemption notice as provided in the Bond Resolution.

Notice of Redemption (No Book-Entry). During any period in which the Bonds are not in book-entry only form, unless waived by any Registered Owner of the Bonds to be redeemed, official notice of any redemption of Bonds will be given by the Bond Registrar on behalf of the District by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least 20 days and not more than 60 days prior to the date fixed for redemption, to the Registered Owners of the Bonds to be redeemed at the address shown on the books or records maintained by the Bond Registrar for the purpose of identifying ownership of the Bonds (the "Bond Register") on the date the Bond Registrar sends the notice, and such requirement will be satisfied when notice has been mailed as so provided, whether or not it is actually received by the Registered Owner or Beneficial Owner. The

(1) Preliminary, subject to change.

District reserves the right to provide conditional notice and to rescind any optional redemption notice as provided in the Bond Resolution.

Purchase

The District reserves the right to purchase any or all of the Bonds offered to the District or in the open market at any time at any price acceptable to the District plus accrued interest to the date of purchase.

Effect of Redemption

Interest on each Bond called for redemption shall cease to accrue on the date fixed for redemption, unless either the notice of optional redemption is rescinded as set forth above, or money sufficient to effect such redemption is not on deposit in the District's Debt Service Fund or in a trust account established to refund or defease the Bond.

Failure to Pay Bonds

If the principal of any Bond is not paid when the Bond is properly presented at its maturity date or date fixed for redemption, as applicable, the District shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity date or date fixed for redemption until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the District's Debt Service Fund, or in a trust account established to refund or defease the Bond, and the Bond has been called for payment by giving notice of that call to the Registered Owner.

Refunding or Defeasance

The District may issue refunding bonds pursuant to State law or use money available from any other lawful source to carry out a refunding or defeasance plan, which may include (i) paying when due the principal of and interest on any or all of the Bonds (the "defeased Bonds"); (ii) redeeming the defeased Bonds prior to their maturity; and (iii) paying the costs of the refunding or defeasance. If the District sets aside in a special trust fund or escrow account irrevocably pledged to that redemption or defeasance (the "trust account") money and/or noncallable, nonprepayable direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America ("Government Obligations"), maturing at a time or times and bearing interest in amounts sufficient to redeem, refund, or defease the defeased Bonds in accordance with their terms, then all right and interest of the owners of the defeased Bonds in the covenants of the Bond Resolution and in the funds and accounts obligated to the payment of the defeased Bonds will cease and become void. Thereafter, the owners of defeased Bonds will have the right to receive payment of the principal of and interest on the defeased Bonds solely from the trust account and the defeased Bonds will be deemed no longer outstanding. In that event, the District may apply money remaining in any fund or account (other than the trust account) established for the payment or redemption of the defeased Bonds to any lawful purpose. Unless otherwise specified by the District in a refunding or defeasance plan, notice of refunding or defeasance will be given, and selection of Bonds for any partial refunding or defeasance will be conducted, in the manner prescribed in the Bond Resolution for the redemption of Bonds.

Bond Registrar; Registration Features

Bond Registrar. The State fiscal agent (or such other fiscal agency or agencies as the Treasurer may from time to time designate) will serve as Bond Registrar for the Bonds. The State is under contract with U.S. Bank Trust Company, National Association, to act as the fiscal agent for the State.

Book-Entry System. The Bonds will be issued as fully registered bonds and, when issued, will be initially registered in the name of Cede & Co., as the nominee of DTC. DTC will act as initial securities depository for the Bonds. Individual purchases and sales of the Bonds may be made in book-entry form only in Authorized Denominations. So long as the Bonds are in book-entry only form, principal of and interest on the Bonds will be payable as required by the Letter of Representations. The Beneficial Owners will not receive certificates representing their interest in the Bonds (see Appendix B attached hereto).

No Book-Entry System. During any period in which the Bonds are not in book-entry only form, principal of and interest on the Bonds will be payable by the Bond Registrar. Interest on the Bonds will be payable by check mailed to the Registered Owners, at the addresses appearing on the Bond Register on the 15th day of the month preceding an interest payment date or by electronic transfer on the interest payment date. The District is not required to make electronic transfers except to a Registered Owner of the Bonds pursuant to a request in writing (and at the sole expense of that Registered Owner) received at least 15 days before an interest payment date. Principal of the Bonds will be payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar.

Procedure in the Event of Revisions of Book-Entry System. If (i) DTC resigns as the securities depository and the District does not appoint a substitute securities depository, or (ii) the District terminates the services of DTC, the District will execute, authenticate, and deliver, at no cost to the Beneficial Owners of the Bonds or their nominees, Bonds in fully registered form, in Authorized Denominations.

Transfer and Exchange of Bonds. The Bonds will be subject to transfer and exchange as provided in the Bond Resolution.

Authorization for Issuance

The Bonds are authorized pursuant to the favorable results of a special election held in the District on February 13, 2024 (the "2024 Election"). The qualified electors (*i.e.*, voters) of the District authorized the issuance of no more than $650,000,000 of unlimited tax general obligation bonds at the 2024 Election (the "Bond Authorization"). The Bond Authorization requires that the Bonds mature within 25 years of the Date of Delivery.

The Bonds represent the first series of bonds issued under the Bond Authorization. The Bonds, in the aggregate principal amount of $146,465,000 (preliminary, subject to change), plus $__________ (preliminary, subject to change) of original issue premium generated by the sale of the Bonds and deposited to the Capital Projects Fund, will count toward the Bond Authorization. The District will have $___________ (preliminary, subject to change) of unissued Bond Authorization following the issuance of the Bonds. *See* "Bonded Indebtedness - Future Financings" herein.

Unlimited tax general obligation bonds, such as the Bonds, require an approving vote, and any election to authorize unlimited tax general obligation bonds must have a voter turnout of not less than 40 percent of those who voted in the District in the last State general election. Of those voting, at least 60 percent must vote in the affirmative. The results of the 2024 Election with respect to the Bond Authorization were certified by the Auditor of Pierce County, Washington, as follows:

	Number of Votes	Percentage
Approved	26,319	68.91%
Rejected	11,875	31.09
Total	38,194	100.00%

The 38,194 total votes represent 77.38 percent of those who voted in the District in the November 7, 2023, State general election (*i.e.*, 49,357).

Purpose and Use of Proceeds

Purpose

The proceeds from the sale of the Bonds will be used to pay costs to: (i) replace or renovate eleven aging neighborhood schools; (ii) make districtwide K-12 classroom and learning environment improvements; (iii) repair deteriorating roofs; (iv) implement health, security and seismic upgrades; (v) improve ADA accessibility, playgrounds/athletic facilities; (vi) repair plumbing/HVAC systems for clean water and safe air; (vii) make other capital improvements; and (viii) issue, sell and deliver the Bonds.

Sources and Uses of Funds

The proceeds of the Bonds are to be applied as follows:

Estimated Sources and Uses of Funds

Sources of Funds (1)		
Principal Amount of Bonds	$ 146,465,000	(2)
[Net] Original Issue Premium/(Discount)		
Total Sources of Funds	$	
Uses of Funds (1)		
Deposit to Capital Projects Fund	$	
Deposit to Debt Service Fund		
Underwriting and Costs of Issuance(3)		
Total Uses of Funds	$	

(1) Amounts will be provided in the final Official Statement.
(2) Preliminary, subject to change.
(3) Includes Bond Counsel and Disclosure Counsel fee, Financial Advisor fee, Underwriters' discount, rating agency fees, and other related fees and expenses.

Security for the Bonds

General

The Bonds are general obligations of the District. For so long as the Bonds are outstanding, the District has irrevocably pledged to levy taxes annually without limitation as to rate or amount on all of the taxable property within the District in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the Bonds, and the full faith, credit and resources of the District are pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest (see "District Funding Sources" herein). The taxes, when collected, are required under State law to be applied solely for the purpose of payment of principal of and interest on the Bonds and for no other purpose until the Bonds have been fully paid, satisfied and discharged.

The rights and remedies of anyone seeking enforcement of the Bonds are subject to laws of bankruptcy and insolvency and to other laws affecting the rights and remedies of creditors and to the exercise of judicial discretion. See "Certain Investment Considerations – Limitations on Remedies," "–No Acceleration," "-Financial Insolvency" and "–Bankruptcy" herein.

The District may, subject to applicable laws, apply other money legally available to make payments with respect to the Bonds and thereby reduce the amount of future excess tax levies for such purpose.

The Bonds do not constitute a debt or indebtedness of the County, the State, or any political subdivision thereof, other than the District.

Washington State School District Credit Enhancement Program

Payment of principal of and interest on the Bonds when due is guaranteed by the full faith, credit, and taxing power of the STATE OF WASHINGTON under the provisions of the Washington State School District Credit Enhancement Program, as described in Appendix D attached hereto.

Bonded Indebtedness

General Obligation Debt Limitation

The power of the District to contract debt of any kind is controlled and limited by State law. All debt must be set forth in accordance with detailed budget procedures and paid for out of identifiable receipts and revenues. The budget must be balanced for each fiscal year ending August 31 as prescribed by statute. It is unlawful for an officer or employee of the District to incur liabilities in excess of budgetary appropriations.

Authorization of Total Debt. A school district may incur a total indebtedness, including voter-approved debt, not to exceed five percent of the assessed value of taxable property (the "Bond Assessed Value"), which includes all real and personal property (as described within "District Funding Sources—Assessed Value" herein) within the school district. Following the issuance of the Bonds, the District will have $996,605,000 of voter approved debt (preliminary, subject to change), plus $2,221,385 of non-voter approved debt outstanding, which collectively represents 2.23 percent of the District's 2024 collection year Bond Assessed Value of $44,789,365,336.

Authorization of Voted Debt. Any election to authorize such debt must have a voter turnout of at least 40 percent of those who voted in the school district in the last State general election and, of those voting, 60 percent must vote in the affirmative. The Bonds met all voter approval criteria. *See* "Description of the Bonds - Authorization for Issuance" herein.

Authorization of Non-voted Debt. Washington municipal corporations, including the District, are authorized under State law to borrow money and issue short-term obligations, the proceeds of which may be used for any lawful purpose. Short-term obligations may be issued in anticipation of the receipt of revenues, taxes, or grants or the sale of bonds. These short-term obligations will be repaid out of money derived from the source or sources in anticipation of which they were issued or from any money legally available for this purpose.

RCW 28A.530.080 authorizes school districts, including the District, to incur long-term indebtedness without a vote of the people through the issuance of bonds payable out of the District's ordinary revenues. Such bonds may be issued to acquire real or personal property or make structural changes and additions to school facilities, including energy conservation improvements.

School districts also are authorized to incur debt by purchasing real or personal property pursuant to conditional sales (installment purchase) contracts and financing leases.

In an emergency, school districts may authorize indebtedness outside the current budget. All expenditures for emergency purposes will be paid by warrants from any available money in the fund properly chargeable with such expenditures. If there is insufficient money on hand in the fund, the warrants become registered interest-bearing warrants. In adopting the budget for any fiscal year, the school district's board of directors will appropriate funds to retire any outstanding registered warrants issued since the adoption of the last preceding budget.

The amount of all non-voted debt (including short-term obligations, conditional sales contracts, leases, warrants and bonds) may not exceed 3/8 of one percent (.375%) of the Bond Assessed Value. The District routinely enters into lease obligations in its normal course of business. On the Date of Delivery, the District will have $2,221,385 of non-voted debt outstanding in the form of lease obligations. *See* "General Obligation Debt Capacity" below. The aggregate outstanding total of such leases (*i.e.*, $2,221,385) represents less than 0.01 percent of the District's 2024 collection year Bond Assessed Value of $44,789,365,336.

General Obligation Debt Capacity

Bond Assessed Value (2024 Collection Year)	$	44,789,365,336
Total Debt:		
General Obligation Debt Capacity (5% of Bond Assessed Value)	$	2,239,468,266
Less: Outstanding Voter Approved Debt (includes the Bonds)(1)		(996,605,000)
Less: Outstanding Non-Voter Approved Debt(2)		(2,221,385)
Remaining Total Debt Capacity(1)	$	1,240,641,881
Non-Voter Approved Debt:		
Debt Capacity (3/8 of 1% of Bond Assessed Value)	$	167,960,120
Less: Outstanding Non-Voter Approved Debt(2)		(2,221,385)
Less: Outstanding Voter Approved Debt Allocated to Non-Voter Approved Debt(3)		(53,835,000)
Remaining Non-Voter Approved Debt Capacity	$	111,903,735

(1) Includes the Bonds and the District's outstanding unlimited tax general obligation bonds as of the Date of Delivery. Preliminary, subject to change.

(2) Includes the District's outstanding lease obligations as of the Date of Delivery.

(3) The principal amount of refunding debt that exceeds the principal amount of voter approved refunded debt is treated as non-voted debt for purposes of limitations on debt. The District allocated this excess to the earliest maturities of its Unlimited Tax General Obligation Refunding Bonds, 2020 (Taxable).

Outstanding Long-Term Debt

Unlimited Tax General Obligation Bonds	Date of Issue	Date of Maturity	Principal Issued	Principal Outstanding(1)
UTGO Refunding Bonds, Series 2012	11/06/2012	12/01/2024	$ 78,905,000	$ 12,500,000
UTGO Bonds, 2014	11/25/2014	12/01/2026	152,625,000	6,240,000
UTGO and Refunding Bonds, 2015	11/04/2015	12/01/2028	368,275,000	62,345,000
UTGO Refunding Bonds, 2020 (Taxable)	07/22/2020	12/01/2039	366,010,000	349,390,000
UTGO Bonds, Series 2020B (Tax-Exempt; Social)	11/02/2020	12/01/2043	249,280,000	249,280,000
UTGO Bonds, Series 2020C (Taxable; Social)	11/02/2020	11/01/2045	235,000,000	170,385,000
The Bonds(2)	09/26/2024	12/01/2048	146,465,000	146,465,000
UTGO Bond Total(2)				$ 996,605,000
Lease Obligations				
Outstanding Leases(3)	Various	Various		$ 2,221,385
Total Long-Term Debt Outstanding(2):				$ 998,826,385

(1) As of the Date of Delivery.
(2) Preliminary, subject to change.
(3) The District currently has seven leases, with various maturity dates up to approximately five years in term, for: (i) space rental for the Tacoma School of the Arts; (ii) copy machines; and (iii) technology equipment, infrastructure and software subscriptions.

Source: The District.

Short-Term Borrowing

The District does not currently have any outstanding short-term borrowing commitments.

Unlimited Tax General Obligation
Debt Service Requirements

Calendar	Outstanding Bonds[1]		The Bonds[2]		Total Debt
Year	Principal	Interest	Principal	Interest	Service[2]
2024	$49,505,000	$25,579,017[3]	--	--	
2025	48,485,000	24,582,768	--		
2026	28,165,000	22,705,393	$ 25,500,000		
2027	29,350,000	21,522,213	26,770,000		
2028	30,475,000	20,396,405	2,635,000		
2029	31,670,000	19,203,759	2,770,000		
2030	32,355,000	18,514,583	2,910,000		
2031	33,090,000	17,778,935	3,055,000		
2032	33,870,000	16,999,338	3,205,000		
2033	34,635,000	16,234,937	3,365,000		
2034	35,440,000	15,431,559	3,535,000		
2035	36,280,000	14,592,851	3,710,000		
2036	37,155,000	13,717,486	3,895,000		
2037	38,060,000	12,809,781	4,090,000		
2038	39,090,000	11,780,445	4,295,000		
2039	40,150,000	10,721,410	4,510,000		
2040	41,215,000	9,655,300	4,735,000		
2041	42,865,000	8,006,700	4,975,000		
2042	44,580,000	6,292,100	5,220,000		
2043	46,360,000	4,508,900	5,485,000		
2044	47,870,000	3,000,173	5,755,000		
2045	49,475,000	1,397,751	6,045,000		
2046	--	--	6,345,000		
2047	--	--	6,665,000		
2048	--	--	6,995,000		
Total	$850,140,000	$315,431,804	$146,465,000		

(1) Outstanding unlimited tax general obligation bonds.

(2) Principal is provided for illustrative purposes only. The amounts and structure are preliminary, subject to change.

(3) Includes interest payments made through the Date of Delivery.

Note: Totals may not add due to rounding.

Direct and Overlapping Debt Summary

A number of other taxing districts are located within all or a portion of the District, including cities and towns, ports and other special purpose districts. Taxable property located within the District is subject to property taxes imposed by these overlapping taxing districts, including the District. The following tables set forth the outstanding principal amount of general obligation debt of the District, adjusted to reflect the issuance of the Bonds (the "Direct Debt"), and the outstanding principal amount of general obligation debt incurred by other governmental entities whose taxing jurisdiction includes a part or all of the District and the estimated portion of that debt which is applicable to the property within the District (the "Overlapping Debt"). The District has obtained the information regarding the Overlapping Debt from the overlapping taxing districts, the County and other sources believed to be reliable, but has not independently verified the accuracy or completeness of such information. No person should rely upon such information as being accurate or complete. Furthermore, the amounts described below relate only to general obligation bonds issued by the various taxing districts and may not reflect certain leases or other contracts that may constitute indebtedness under State law. The following table does not reflect any special revenue obligations (*e.g.*, utility revenue bonds) issued by any taxing district. The taxing districts listed below may have issued additional general obligation debt since the date indicated and may have plans for future general obligation debt issuances. See "District Funding Sources – Overlapping Taxing Districts" herein.

Overlapping Debt Calculation
(As of June 30, 2024)

Taxing Entity	2024 Assessed Value	Percent Overlapping	Outstanding General Obligation Debt	Estimated Overlapping Debt
Pierce County	$190,747,102,118	23.63%	$134,350,000	$ 31,747,905
Port of Tacoma	190,747,102,118	23.63	121,831,000	28,789,572
Tacoma Metropolitan Park District	43,286,974,450	97.39	117,480,000	114,412,150
City of Fircrest	1,466,669,294	86.29	8,080,000	6,972,358
City of Lakewood	11,150,721,653	1.38	16,363,414	225,039
City of Tacoma	42,461,227,446	97.34	144,654,000(1)	140,803,073
City of University Place	6,892,212,903	14.26	37,555,000	5,354,315
Pierce County Fire Protection District No. 6	41,636,571,364	0.01	22,640,000	21,721
Pierce County Fire Protection District No. 13	825,747,004	100.00	19,999,102	19,999,102
		Total:	$622,952,516	$348,325,235

(1) As of December 31, 2023.
Source: Pierce County Assessor/Treasurer's office, Pierce County Finance Department and certain taxing districts.
Note: Totals may not add due to rounding.

The following table summarizes Direct Debt (including the Bonds) and the estimated portion of the debt of overlapping taxing districts allocated to the District's residents.

Bond Assessed Value (2024 Collection Year)	$44,789,365,336
Estimated 2023 Population (Washington State Office of Financial Management)	234,389
Debt Information	
Direct Debt (includes the Bonds)(1)	$ 998,826,385
Estimated Overlapping Debt (as detailed above)	348,325,235
Total Direct and Overlapping Debt	$ 1,347,151,620
Bonded Debt Ratios	
Direct Debt to Bond Assessed Value	2.23%
Direct and Overlapping Debt to Bond Assessed Value	3.01%
Per Capita Bond Assessed Value	$ 191,090
Per Capita Direct Debt	$ 4,261
Per Capita Total Direct and Overlapping Debt	$ 5,748

(1) Includes the Bonds (preliminary, subject to change) and the District's outstanding unlimited tax general obligations and lease obligations as of the Date of Delivery. See "Bonded Indebtedness – Outstanding Long-Term Debt" herein.

Debt Payment Record

The District has promptly met principal and interest payments on outstanding bonds and other indebtedness when due. Additionally, no refunding bonds have been issued for the purpose of preventing an impending default.

Future Financings

The Bonds represent the first series of bonds issued under the Bond Authorization. The Bonds, in the aggregate principal amount of $146,465,000 (preliminary, subject to change), plus $________ (preliminary, subject to change) of original issue premium generated by the sale of the Bonds and deposited to the Capital Projects Fund, will count toward the Bond Authorization. The District will have $__________ (preliminary, subject to change) of unissued Bond Authorization following the issuance of the Bonds. *See* "Description of the Bonds – Authorization for Issuance" and "Purpose and Use of Proceeds" herein. The District anticipates issuing the next series of bonds under the Bond Authorization in approximately three years. The District currently has no plans to seek additional bond authorization from District voters for additional capital improvements within the next 12 months. The District periodically reviews its outstanding bonds for refunding opportunities and may issue bonds for refunding purposes if market conditions warrant.

District Funding Sources

General

School districts in the State are municipal corporations empowered to provide elementary and secondary educational services. Their operations are supported primarily by State funds, property taxes, and federal grants. The District is governed by a board of five directors elected by voters of the District for six-year terms. The chief administrative officer is a superintendent chosen by the Board.

School districts in the State receive revenue from three primary sources including (1) Federal funding, (2) State funding, and (3) local funding through tax receipts. The District's primary sources of revenue for the General Fund are State funds, local property taxes and federal funds. Of these sources, State funding comprises 72.7 percent of the District's total operating revenue, local sources comprise 16.7 percent, and federal sources comprise 8.4 percent as reported in the District's 2024-25 General Fund Budget. In addition, the District may receive income from other miscellaneous sources. These additional revenues, if received, generally comprise less than two percent of total funding.

Federal Funding

The District receives money from federal funding for a variety of programs. Principal of and interest on the Bonds are payable from excess property tax levies unlimited as to rate or amount. Consequently, changes in federal funding due to programmatic alterations, loss of funding due to federal sequestration, or loss of funding for any other reason, is not expected to impair the security for the Bonds.

State Funding

General. The Washington Basic Education Act of 1977 (the "Act") provides for the full funding of what the Act refers to as "basic education," or the regular program, and of vocational education, according to statutory formulas, and for operational costs for transportation, the purchase of transportation equipment, and programs for students with special needs by the State. Legislation passed in 1979 recognized the State's responsibility to fund bilingual and remediation programs. The Washington State Legislature (the "Legislature"), at its discretion, may provide funds for other special programs. State funding for school districts is provided through the general apportionment formula (a/k/a the Basic Education Allocation). The amount received by each school district varies based on certain characteristics.

At each regular session in an odd-numbered year, the Legislature is required to appropriate money to the Office of the Superintendent of Public Instruction ("OSPI") (i) from the State General Fund for the current use of the common schools (*i.e.*, K-12 schools maintained at public expense) during the ensuing biennium, and (ii) from the Education Construction Fund for the support of capital improvements.

Basic Education Allocation. The Basic Education Allocation is reviewed biennially by OSPI and the governor of the State (the "Governor"). Pursuant to RCW 28A.150.260, the Governor shall, and OSPI may, recommend to the Legislature a formula based on a ratio of students to staff. Once the Legislature adopts a formula, it is used for the distribution of a basic education allocation for each annual average full-time equivalent student enrolled in a common school. In the event the Legislature rejects the distribution formula recommended by the Governor without adopting a new distribution formula, the distribution formula for the previous school year will remain in effect. In the event of an unforeseen emergency, in the nature of either an unavoidable cost to a district or unexpected variation in anticipated revenues to a district, OSPI is authorized, for a period of time not to exceed two years, to make such an adjustment in the allocation of funds. An objective of the Basic Education Allocation is to equalize educational opportunities among the State's public school districts.

In the 2009-11 biennium, the Legislature enacted two significant bills to redefine basic education and to restructure K-12 funding formulas. The first was ESHB 2261 (Chapter 548, Laws of 2009), which added programs to the definition of basic education—including the program for highly capable students and phasing in full-day kindergarten. ESHB 2261 increased the number of instructional hours, increased the minimum number of credits for high school graduation, and changed the system for funding student transportation. ESHB 2261 also created the framework for a new K-12 funding allocation formula based on prototypical schools. Changes took effect September 1, 2011, and enhancements were phased in by 2018 on a schedule set by the Legislature.

The second bill, SHB 2776 (Chapter 236, Laws of 2010), enacted the funding formulas for the new prototypical schools format at levels that represented what the State was spending on basic education at the time. SHB 2776 set targets for class-size reduction in the lower grades and established a timeline for phasing in certain enhancements to basic education and the new funding levels.

Under this new funding structure, effective September 1, 2011, the general apportionment formula follows the prototypical school model. Prototypes illustrate a level of resources to operate a school of a particular size with particular types and grade levels of students. Allocations to school districts are based on actual full-time equivalent ("FTE") student enrollment in each grade in a district, adjusted for small schools and reflecting other factors in the State's biennial budget. Under SHB 2776, the Legislature designed a funding formula that allocates funding in three primary groups: schools, district-wide support, and central administration.

On July 6, 2017, the Governor signed into law Engrossed House Bill 2242 ("EHB 2242"), which modifies the State's program of basic education by changing State and local education contributions. EHB 2242 increased State allocations to categorical programs beginning in the 2017-2018 school year. Additionally, EHB 2242 revised the salary allocation model to require State funding to school districts be based on minimum statewide salaries adjusted for regional differences. EHB 2242 was amended by Engrossed Second Substitute Senate Bill 6362 in 2018 ("E2SSB 6362") to accelerate implementation of the revised salary allocation model from the 2019-2020 school year to the 2018-2019 school year. While EHB 2242 maintains the prototypical school model, OSPI must report funding rates in a per-pupil format.

In addition to the Basic Education Allocation, eligible school districts have received local assistance funds from the State under the Local Effort Assistance Program ("LEA"). The LEA was originally implemented in 1989 and seeks to equalize the tax burden by providing matching State funds to districts with low property values and high levy rates. Until the beginning of calendar year 2019, eligible school districts are those school districts with an assessed value (for excess levy purposes) per pupil lower than the State average. See "District Funding Sources—Local Funding—*EPO Levies*" herein. The District did not receive LEA funding in calendar year 2023, and does not anticipate receiving LEA funding in calendar year 2024.

Passed by voters in November 2000, Initiative 732 ("I-732") required the State to provide annual cost-of-living increases for Washington's public school employees. In 2003 and again in 2009 through 2015, the Legislature suspended the inflation increases in I-732. For the 2015-2017 biennium, the Legislature did not suspend inflation increases in I-732 going forward. EHB 2242 renames cost-of-living increases as "inflationary increases" and changes the inflationary adjustment index from the consumer price index to the implicit price deflator.

The State's largest General Fund expenditures are for education, social and health and corrections. A significant portion of the State's General Fund operating budget for 2023-2025 supports K-12 public schools. The 2017-2019, 2019-2021 and 2021-2023 biennium budgets increased K-12 public education spending by approximately $12.6 billion over those six years. The 2023-2025 biennium budget increased K-12 public education spending by approximately $2.9 billion, which includes both State funding increases and one-time federal stimulus funds (Elementary and Secondary School Emergency Relief Fund or ESSER). For the 2023-2025 biennium budget, the Legislature focused on K-12 public school enhancements concerning, among others: (1) special education; (2) educator salary increases; (3) staffing (*e.g.,* nurses, counselors and social workers in schools); (4) early childhood education and assistance; (5) learning recovery due to the impacts of the COVID-19 pandemic; and (6) food assistance. The 2023-2025 biennium budget also reappropriated ESSER funding originally appropriated in the 2021-2023 biennium budget. The reappropriated funds (which include the one-time federal pandemic funds to support some of the programs in the 2023-2025 biennium budget) account for $1.1 billion in K-12 funding in the 2023-2025 biennium budget, and include: (1) ESSER III Subgrants; (2) ESSER III Learning Loss Subgrants; and ESSER II Reappropriations. For a discussion of the impacts of the COVID-19 pandemic on the District and its

ESSER funding, please see "Financial Factors—Response to COVID-19 Pandemic" herein. The 2024 supplemental operating budget increased K-12 public education spending for the remainder of the 2023-2025 biennium budget by approximately $525.5 million, which includes both maintenance and policy level increases. For the 2024 supplemental operating budget, the Legislature focused on K-12 public school enhancements concerning, among others: (1) pupil transportation; (2) staffing (e.g., paraeducators, office support and noninstructional aides); (3) fully funding meals not reimbursed at the federal free meal rate; (4) materials, supplies, and operating costs (MSOC); and (5) special education.

McCleary et al. v State Ruling. In 2007, a lawsuit was filed challenging the State's funding of local school districts under Article IX of the Washington State Constitution, which provides that it is the "paramount duty" of the State to make "ample provision" for the education of all children residing within the State. In 2010, the King County Superior Court ruled that the State was failing to fulfill this constitutional duty and ordered the State to address the issue. On appeal, the Washington State Supreme Court (the "Supreme Court") upheld that ruling of the lower court. The Supreme Court deferred to the Legislature's chosen means to discharge the State's duty under Article IX, but retained jurisdiction to ensure the State's full implementation of its new statutory program of basic education by September 1, 2018. In addition to prior measures, the Legislature enacted various school funding measures in 2017 and 2018 (including EHB 2242, E2SSB 6362 and the supplemental 2017-19 biennial budget). On June 7, 2018, the Supreme Court entered an order declaring that the State had fully implemented its statutory program of basic education and terminated its jurisdiction over the case.

Local Funding

Local property taxes, the most significant local revenue source, provide money that enhances the State-funded Basic Education Allocation. Pursuant to Article VII, Section 2 of the State Constitution and RCW 84.52.053 and 84.52.056, school districts may, upon voter approval, impose excess property tax levies for various purposes, including educational programs and operation ("EPO Levies"), capital projects ("Capital Projects Levies"), repayment of bonds issued to finance capital projects ("Bond Levies"), and acquisition of student transportation vehicles ("Transportation Vehicle Levies"). The voter approval requirement for EPO, Capital Projects, and Transportation Vehicle Levies is a simple majority. Any election to authorize Bond Levies must have a voter turnout of at least 40 percent of those in the district who voted in the last State general election, and, of those voting, 60 percent must vote in the affirmative. Bond Levies are dedicated exclusively to the repayment of the bonds for which the taxes were approved and those tax proceeds cannot be diverted to other purposes. Therefore, a change in EPO, Capital Projects, and Transportation Vehicle Levies will not affect the District's levy of excess property taxes for the repayment of the Bonds. Beginning with the 2019-2020 school year, the State Auditor must review the expenditures of EPO Levies, LEA funding and certain other local revenues.

EPO Levies. The State Constitution currently allows school districts to submit to voters EPO Levies for up to four years. In 1977, when the State assumed additional responsibility for funding schools, the Legislature limited school district EPO Levy authority by passing the levy lid law. This law establishes the maximum amount of a school district's EPO Levy for a calendar year. In 1979, the levy lid law took effect, limiting excess General Fund revenue to 10 percent of the school district's Basic Education Allocation for the school year. The law allowed districts that historically relied on EPO Levies to be grandfathered in and exceed the 10 percent limit. In 1987 the levy lid limit was increased to 20 percent. In 1994, the levy lid limit increased to 24 percent.

Prior to enactment of EHB 2242, RCW 84.52.053 identified EPO Levies as "maintenance and operation" or "M&O" levies. School districts commonly describe M&O levies as "educational programs and operation" or "EPO" levies. In 2017, under EHB 2242, the Legislature renamed M&O levies as "enrichment" levies. Consistent with prior conventions, many school districts, including the District, continue to refer to enrichment levies as "educational programs and operation" or "EPO" levies. Consequently, for purposes of this official statement, "enrichment" levies will be referred to as "EPO Levies." EHB 2242 changed the levy lid calculation for EPO Levies, changed LEA allocations, and placed additional restrictions on EPO Levy expenditures. Beginning with taxes levied for collection in 2019, the maximum EPO Levy is the amount equal to the lesser of $2,500 per student (adjusted for inflation beginning in 2020) or $1.50 per $1,000 of assessed property value. Under Engrossed Substitute Senate Bill 5313 (2019) ("ESSB 5313"), the maximum EPO Levy for taxes levied for collection beginning in 2020 is the amount equal to the lesser of: (i) $2,500 (adjusted for inflation) per student for school districts with fewer than 40,000 FTE students or $3,000 (adjusted for inflation) per student for districts with 40,000 or more FTE students and (ii) $2.50 per $1,000 of assessed property value. For taxes levied for collection in 2020 or later, a district must receive pre-ballot approval of an EPO Levy expenditure plan from OSPI before submitting an EPO Levy to the voters. Beginning in calendar year 2019, school districts eligible for LEA funding are those districts with a maximum EPO Levy of less than $1,500 per student, adjusted for inflation. Beginning in calendar year 2020, school districts are eligible for LEA assistance equal to the difference between the district's prior school year's enrollment multiplied by $1,550 (adjusted for inflation) and the amount generated by $1.50 per $1,000 of assessed property value. Since September 1, 2018, State law has prohibited districts from using EPO Levies, LEA funding, and certain other local revenues to fund costs of basic education and required districts to establish a local revenue subfund to account for those local revenues. The District cannot predict what future legislative actions will be taken with respect to EPO Levies, LEA funding, or certain other local revenues or what effect such actions, if any, will have on District finances.

In addition to the statutory levy lid for EPO Levies under ESSB 5313, a district may not levy more than the EPO Levy amount approved by the voters for the applicable collection year. In February 2022, the qualified electors of the District approved a four-year replacement EPO Levy in amounts not to exceed $77,500,000 for collection in 2023, $79,000,000 for collection in 2024, $80,500,000 for collection in 2025, and $82,000,000 for collection in 2026. Pursuant to the EPO Levy limitations under ESSB 5313, the District's current maximum EPO Levy authority is the amount equal to the voter authorized EPO Levy amount. Consequently, the District anticipates collecting an EPO Levy amount of approximately $79,000,000 in 2024, which results in an EPO Levy rate of approximately $1.77 per $1,000 of assessed value. As noted above, Bond Levies are dedicated exclusively to the repayment of the bonds for which the taxes were approved and those tax proceeds cannot be diverted to other purposes. Therefore, a change in the District's EPO Levy will not affect the District's levy of excess property taxes for the repayment of the Bonds.

The Legislature, in 2010, approved Laws of 2010, Chapter 237 ("2010 Supplemental Levy Act"), enhancing the levy authority of school districts. The 2010 Supplemental Levy Act amended RCW 84.52.053 to permit additional EPO Levies to be authorized by voters during the term of the levy collection period to provide for subsequently-enacted increases affecting a school district's levy base or maximum levy percentages. The District does not expect to seek an additional increase of its EPO Levy amounts during the term of collection of its current levy pursuant to RCW 84.52.053.

Capital Projects Levies and Transportation Vehicle Levies. Capital Projects Levies (maximum of six years) and one- to two-year Transportation Vehicle Levies may also be authorized by a simple majority of a school district's voters under RCW 84.52.053. The levy lid applicable to EPO Levies described previously does not apply to Capital Projects Levies or Transportation Vehicle Levies. In February 2022, the qualified electors of the District approved a four-year Replacement Technology Improvements and Upgrades Levy in amounts of $25,000,000 for collection in 2023, and $31,000,000 for collection in each of the years 2024, 2025 and 2026. Consequently, the District anticipates collecting a Capital Projects Levy amount of $31,000,000 in 2024, which results in a Capital Projects Levy rate of approximately $0.70 per $1,000 of assessed value. The District does not have an authorized Transportation Vehicle Levy at this time and does not anticipate seeking voter approval of such a levy in the next 12 months.

The following tables set forth the District's historical excess property tax levy rates and dollar amounts.

***Ad Valorem* Tax Levies**[(1)]

	Certified Levy Rates (Dollars per $1,000 of Assessed Value)			
Collection Year	Bond	EPO	Capital	Total
2024	$1.695731	$1.773017	$0.695102	$4.163850
2023	1.609389	1.705723	0.550275	3.865387
2022	1.795656	1.949885	0.615850	4.361391
2021	1.776323	2.177202	0.706485	4.660010
2020	1.923928	2.318121	0.778323	5.020372

	Certified Levy Collection Amounts			
Collection Year	Bond	EPO	Capital	Total
2024	$75,698,710	$79,149,008	$31,029,727	$185,877,444
2023	73,010,750	77,375,764	24,961,195	175,347,709
2022	69,890,630	75,890,604	23,975,076	169,756,309
2021	60,440,527	74,079,273	24,038,811	158,558,610
2020	59,950,974	72,234,082	24,253,120	156,438,176

(1) Includes adjustments and administrative refunds.

Note: Totals may not add due to rounding.

Source: Pierce County Assessor/Treasurer's Office and Pierce County Finance Department.

Assessed Value

The Pierce County Assessor/Treasurer (the "Assessor"), determines the value of all real property (including all land, buildings, structures, and improvements to land) and personal property (including machinery and equipment, fixtures, furniture, and other items that are movable in nature) throughout the County that is subject to *ad valorem* taxation, except certain utility properties which are valued by the State Department of Revenue. The Assessor is an elected official whose duties and methods of determining value are prescribed and controlled by statute and by detailed regulations promulgated by the State Department of Revenue.

For tax purposes, the assessed value of property is 100 percent of its market value. Three approaches may be used to determine real property value: market data, replacement cost, and income-generating capacity. In the County, all property is subject to an annual property valuation and all properties are physically inspected at least once every six years. The property is listed by the Assessor on a property tax roll at its current assessed value, and the roll is filed in the Assessor's office. The Assessor's determinations are subject to revisions by the County Board of Equalization and, for certain property, subject to further revisions by the State Board of Tax Appeals.

Exemptions and Deferrals

The State constitution exempts from taxation all property of the United States and of the State, counties, school districts, and other municipal corporations. The State Legislature is authorized to exempt other property by general law and has enacted, among others, exemptions for business inventories, household goods and personal effects, churches and their grounds, hospitals, private schools and colleges, and tribal lands used for essential government services.

The State Legislature is also authorized to grant to retired property owners relief from the property tax on their principal residences. State law authorizes, and the State Legislature has enacted, property tax relief for the principal residences of senior citizens and persons retired by reason of disability if they meet certain income requirements.

In particular, certain senior citizens, certain persons retired by reason of disability, certain veterans receiving disability benefits, and certain of their respective surviving spouses or domestic partners are exempt from paying excess property tax levies on their principal residences.

Further, certain physical improvements to single-family dwellings, including constructing an accessory dwelling unit, whether attached to or within a single-family dwelling or as a detached unit on the same real property, are exempt from taxation for the three assessment years subsequent to the completion of the improvement to the extent that the improvement represents 30 percent or less of the value of the original structure.

In addition, qualifying taxpayers may defer remaining property taxes on their principal residences. Amounts deferred may accumulate up to 80% of the homeowner's equity. Amounts deferred become a lien on the property in favor of the State. Upon death of the property owner or sale of the property, the full amount of deferred taxes is due along with interest.

Tax Collection Procedure

Property taxes are levied in specific amounts, and the rate for all taxes levied for all taxing districts in the County is determined, calculated, and fixed by the Assessor based upon the assessed value of the property within the various taxing districts. The Assessor extends the taxes to be levied within each taxing district on a tax roll which contains the total amount of taxes to be so levied and collected. The tax roll is delivered to the Treasurer, or equivalent thereof, by January 15, who creates a tax account for each taxpayer and is responsible for the collection of taxes due to each account. All such taxes are due and payable on April 30 of each year, but if the amount due from a taxpayer exceeds $50, one-half may be paid then and the balance no later than October 31 of each year. For all nonresidential real property and for all residential real property with greater than four units per taxable parcel, delinquent taxes are subject to interest at the rate of 12 percent per year computed on a monthly basis from the date of delinquency until paid. For residential real property with four or fewer units per taxable parcel, including manufactured/mobile homes, delinquent taxes are subject to interest computed on a monthly basis from the date of delinquency until paid at the rate of nine percent per year. In addition, for nonresidential real property and for residential real property with greater than four units per taxable parcel, a penalty of three percent will be assessed on June 1 of the year in which the tax was due and eight percent on December 1 of the year due. Delinquent taxes for residential real property with four or fewer units per taxable parcel are not subject to penalties. The method of giving notice of payment of taxes due, the accounting for the money collected, the division of the taxes among the various taxing districts, notices of delinquency and collection procedures are all covered by detailed statutes.

Pursuant to State law, the Governor, after proclaiming a state of emergency, may issue an order or orders concerning a waiver or suspension of the application of tax due dates and penalties related to the collection of taxes. Further, during a state of emergency declared by the Governor, a county treasurer may grant extensions of the due date of any property taxes as the treasurer deems proper.

On February 29, 2020, the Governor proclaimed a state of emergency for all counties throughout the State as a result of COVID-19. The state of emergency expired on October 31, 2022. See "Financial Factors – Response to COVID-19 Pandemic" herein. During the state of emergency and in response to the COVID-19 pandemic, the Governor did not issue an order waiving or suspending the application of tax due dates and penalties related to the collection of taxes. During the state of emergency and in response to the COVID-19 pandemic, the Treasurer extended the due date of first half property taxes from April 30, 2020, to June 1, 2020, for certain taxpayers but has not extended any other property tax due dates. The District cannot predict what additional actions the Governor, the Legislature or the Treasurer may take, if any, regarding the collection of property taxes or what effect, if any, such action or subsequent events may have on the financial condition or operations of the District, or on the repayment of the Bonds or the District's other outstanding voter approved bonds.

Tax Liens and Foreclosure

Property taxes and all charges and expenses relating to those taxes constitute a statutory lien on the property taxed. The lien attaches to the property from and including January 1 in the year in which the tax is levied, and is discharged only when taxes are paid. The lien for *ad valorem* property taxes on personal property, which have been levied prior to the filing of federal tax liens, is prior to such federal tax liens. In addition, a federal civil judgment lien (but not a federal tax lien) is senior to real property taxes that are incurred after the judgment lien has been recorded. In other respects, and subject to the "Homestead Exemption," the lien for delinquent property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law a county treasurer may not commence foreclosure of a tax lien on real property until three years have passed since the first delinquency. The State's courts have not decided whether the Homestead Law (chapter 6.13 RCW) gives to the owner of real or personal property used as a residence by the owner or a dependent of the owner the right to retain certain proceeds of the forced sale of such property for delinquent general property taxes. The United States Bankruptcy Court for the Western District of Washington has held that the homestead exemption applies to the lien securing property taxes, while the State Attorney General has taken the position that it does not. See also *Algona v. Sharp*, 30 Wn. App. 837, 638 P.2d 627 (1982) (holding that liens securing improvement district assessments are subject to the homestead exemption). The amount of proceeds that may be retained by the owner of such property has been increased from time to time and is currently the greater of $125,000 or the county median sale price of a single-family home in the preceding calendar year.

Tax Collection Record

			Tax Collection	
Collection Year	**Bond Assessed Value(1)**	**Certified Ad Valorem Tax Levy(2)**	**% of Levy Collected in Year of Levy**	**% of Levy Collected as of 6/30/24**
2024	$44,789,365,336	$185,877,444	(3)	(3)
2023	45,574,842,806	175,347,709	98.46%	99.20%
2022	39,070,112,869	169,756,309	98.36	99.67
2021	34,059,689,021	158,558,610	98.62	99.97
2020	31,242,833,203	156,438,176	98.45	99.99

(1) Bond Assessed Value is based upon the aggregate assessed value, and is adjusted to exclude exempt senior citizens. The District has no Timber Assessed Value.

(2) Includes adjustments and administrative refunds.

(3) In process of collection.

Source: Pierce County Assessor/Treasurer's Office and Pierce County Finance Department.

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Overlapping Taxing Districts

The overlapping taxing districts within the District have the statutory power to levy regular property taxes at the following rates subject to the limitations provided by chapter 84.55 RCW and levy excess voter-approved property taxes. Representative 2024 levy rates for Tax Code Area 255 of the County, located entirely within the District, as well as the statutory levy authority of other types of potential overlapping districts, are listed below. Tax Code Area 255 does not include all of the property within the District; as a result, additional taxing districts, not listed below, levy taxes within the District.

	Representative Levy Rates Per $1,000 of Assessed Value	Statutory Levy Authority Per $1,000 of Assessed Value
Pierce County	$0.742598	$1.8000(1)
Pierce County (Road District Levy)	1.002260	2.2500
Pierce County (Flood Control Zone)	0.099337	0.5000
Pierce County (Conservation)	0.027793	0.0625
Port of Tacoma	0.136874	0.4500(2)
Tacoma Metropolitan Park District (Regular Levy)	0.750000	0.0025
Tacoma Metropolitan Park District (Bond Levy)	0.467147	---(3)
Cities and Towns	n/a(4)	3.6000
Rural Library District	0.338980	0.5000
Central Puget Sound Regional Transit Authority	0.164830	0.2500
Fire Protection District No. 13 (Regular Levy)	1.071324	1.5000
Fire Protection District No. 13 (EMS Levy)	0.434191	0.5000(5)
State Schools	2.312063	3.6000(6)
The District (Bond Levy)	1.695731	---(7)
The District (Capital Projects Levy)	0.695102	---(7)
The District (EPO Levy)	1.773017	---(7)
Total rate for Pierce County Tax Code Area 255:	$11.711247	

(1) RCW 84.52.043(1). A county may increase its levy from $1.80 per $1,000 to a rate not to exceed $2.475 per $1,000 for general county purposes if (a) the total levies for both the county and any road district within the county do not exceed $4.05 per $1,000 and (b) no other taxing district has its levy reduced as a result of the increased county levy.

(2) Port districts have available four different levies of up to $0.450 each. Each levy carries a specific purpose, and some require voter approval or other special circumstances.

(3) Voter approved excess levy. Not subject to the rate and amount limitations applicable to regular property tax levies.

(4) Pierce County Tax Code Area 255 is included within an unincorporated portion of the County and therefore does not have a city levy.

(5) Voter-approved regular levy. Not subject to the $5.90 Limitation under RCW 84.52.043(2).

(6) RCW 84.52.043(1). The levy by the State shall not exceed $3.60 per $1,000 assessed value adjusted to the State equalized value in accordance with the indicated ratio fixed by the State Department of Revenue to be used exclusively for the support of the common schools.

(7) As noted above, school districts are not authorized to impose regular property tax levies. All school district levies are special excess property tax levies, which may be imposed only upon voter approval, and as such these excess property tax levies are not subject to the rate and amount limitations applicable to regular property tax levies. However, as more fully described in "District Funding Sources-Local Funding-*EPO Levies*" herein, EPO Levies are subject to a levy lid. Bond Levies, Capital Projects Levies and Transportation Vehicle Levies are not subject to the levy lid applicable to EPO Levies.

Source: Pierce County Assessor/Treasurer.

2024 Major Taxpayers

Taxpayer	Type of Business	2024 Collection Year Assessed Value	% of District's 2024 Bond Assessed Value
Puget Sound Energy/Gas	Utilities	$ 342,907,897	0.77%
Tacoma Mall Partnership #9600	Retail	240,213,120	0.54
IPT Tacoma Logistics Center LLC	Warehousing/Office Space	154,835,300	0.35
DCT Blair Logistics Center LLC	Transportation/Shipping	131,789,300	0.29
Fairways TIC [I;II;III&IV] LLC	Apartments	118,637,600	0.26
Targa Sound Terminal LLC	Petroleum Products Terminaling/Transportation	117,588,500	0.26
Newcold Seattle LLC	Cold Storage Warehouse	107,896,487	0.24
GRE Northpoint LLC	Apartments	103,844,800	0.23
U.S. Oil & Refining Co.	Petroleum Refining	102,407,500	0.23
Rocktenn CP LLC	Paper Products and Packaging	101,291,800	0.23
Subtotal – District's Ten Largest Taxpayers		$ 1,521,412,304	3.40%
All Other District Taxpayers		43,267,953,032	96.60
Total District Taxpayers		$44,789,365,336	100.00%

Note: Totals may not add due to rounding.

Source: Pierce County Assessor/Treasurer.

The District

Washington school districts are municipal corporations empowered to provide elementary and secondary educational services. Their operations are supported primarily by State funds, excess property taxes (the most significant local revenue source) and federal grants. School districts are governed by a board of directors elected by the voters of the school district. The chief administrative officer is a superintendent chosen by the board of directors. The superintendent also serves as secretary to the board of directors.

Description

The District is located in the Puget Sound area of the State, southwest of the City of Seattle. The District's boundaries encompass the City of Ruston, a majority of the City of Tacoma, a portion of the cities of Fircrest, Lakewood and University Place, and portions of the unincorporated County. The District's approximately 56 square-mile area had a 2023 estimated population of 234,389, according to the Washington State Office of Financial Management. According to the October 2023 OSPI headcount, the District provides instruction to approximately 26,458 students in grades kindergarten through twelve, which excludes preschool enrollment. For a description of the economic and demographic information of the District, see "Demographic Information."

Form of Local Government and Governing Officials

The District's executive, legislative, and policy-making body is the Board, which is composed of five members who are elected by the voters of the District to serve overlapping six-year terms. Shown below are the names of the individuals who comprise the present Board as well as the dates when their respective terms of office expire.

Member	Position	Occupation	Number of Years Served	Term Expires (November)
Lisa J. Keating	President	Community Volunteer	5	2025
Korey Strozier	Vice President	Director	4	2029
Elizabeth Bonbright	Member	Retired	5	2029
Enrique Leon	Member	Physician; Clinical Instructor	6	2027
Chelsea McElroy	Member	Executive Director	3	2027

The day-to-day affairs of the District are managed by a professional administrative staff, which includes the following principal officials:

Superintendent and Secretary to the Board. The Superintendent of the District is the chief executive and is appointed by and serves at the discretion of the Board. The Superintendent also serves as the Secretary to the Board. Dr. Joshua J. Garcia was appointed as Superintendent and Secretary to the Board of Directors on July 1, 2021. Dr. Garcia's previous experience includes Deputy Superintendent, Assistant Superintendent, Executive Director, High School Principal, Assistant Principal, Athletic Director and teacher. Dr. Garcia received his doctorate degree from Seattle University and his undergraduate degree from Washington State University. He is an ASCD International Outstanding Young Educator and Emerging Leader Recipient, a Washington State STEM Entrepreneur Award recipient and was recognized an as Education Week 2015 Leaders to Learn From.

Chief Financial Officer. As Chief Financial Officer, Ms. Rosalind Medina holds responsibility for overseeing the business support activities of the District. Her supervision covers budget, financial services, purchasing, transportation and warehouse. She assumed the position of Chief Financial Officer in February, 2013. Ms. Medina previously served as the District's Budget Director since 2007. She is a certified public accountant and certified fraud examiner. She earned her Bachelor of Science in Business and Administration and her Master of Science in Accountancy from the University of Nevada, Las Vegas, and she earned her certificate in school district business leadership from the University of Washington.

Director of Financial Services. Ms. Veronica Birdsong, CSBO, has served as the Director of Financial Services since October, 2023. In this role Ms. Birdsong supervises the payroll and accounting departments. Prior to employment with the District, she worked in the Tukwila School District, 6 years as the accountant and 3 years as CFO. She earned both her Bachelor of Arts in Health Care Management with a focus in Information System and Masters in Business Administration with an Accounting concentration from University of Phoenix. She earned her Certified School Business Official designation through the Washington Association of School Business Officials. Currently she is working toward her Doctor of Education from Walden University.

Director of Strategic Financial Operations. Mr. Cary Campen, CSBS, has served as the Director of Strategic Financial Operations for the District since February, 2023. In that role, Mr. Campen is involved with financial planning, cash forecasting, budget performance for transportation, purchasing, warehouse, and nutrition services. Prior to employment with the District, he has held roles such as Chief Financial Officer, Director of Operational Accounting, and Director of Financial Planning and Analysis with experience in for-profit, not-for-profit, and governmental organizations. He earned his Bachelor of Arts in Social Sciences and Masters in Business and Administration with a finance and accounting emphasis, from Brigham Young University. He earned his Certified School Business Specialist with an accounting focus through the Washington Association of Business Officials.

Facilities

The District currently operates 11 high schools (four traditional and seven innovative), 13 middle schools, 37 elementary schools, and four early learning center programs. The District also provides an online program for grades nine through twelve.

Enrollment Trends

The District provides education for students in preschool and grades kindergarten through twelve. The enrollment figures in the following table are based on historical and projected average annual full-time equivalent ("AAFTE") students in the District, excluding preschool enrollment, for budget purposes.

Fiscal Year	Historical AAFTE Enrollment	Fiscal Year	Projected AAFTE Enrollment
2022-23	26,777	2027-28	26,307
2021-22	27,103	2026-27	26,326
2020-21	27,123	2025-26	26,403
2019-20	28,579	2024-25	26,609
2018-19	28,425	2023-24	26,692

Source: OSPI 1251 Reports for the District.

Staff and Labor Relations

As of June 1, 2024, the District had approximately 5,060 employees, which includes 2,640 certificated and 2,430 classified staff members. The majority of the employees who are eligible under State law to be represented by a labor organization are employed under provision of negotiated contracts with the formally recognized collective bargaining units. The expiration dates of the current negotiated agreements with the unions and the respective employees they represent are shown in the following table.

Bargaining Unit	Membership	Agreement Expires
Tacoma Education Association		August 31, 2025
Tacoma Federation of ParaEducators, Local 461		August 31, 2027
Public School Employees of Tacoma Nutrition Services No. 610		August 31, 2026
Tacoma Association of Educational Office Professionals		August 31, 2025
Building and Construction Trades Council		August 31, 2027
International Union of Operating Engineers, Local 286 (Custodians)		August 31, 2025
International Union of Operating Engineers, Local 286 (Bus Drivers)		August 31, 2027
International Union of Operating Engineers, Local 286 (Security)		August 31, 2027
Tacoma Principals' Association		June 30, 2026

Source: The District.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For additional information, see Audited Financial Statements for the Year Ended August 31, 2023 – Note 10, attached hereto as Appendix C.

Washington Schools Risk Management Pool.

The following information was obtained from Washington Schools Risk Management Pool for use in this Official Statement, and the District, the Financial Advisor and the Underwriters make no representations as to the accuracy or completeness thereof.

The District is a member of the Washington Schools Risk Management Pool ("WSRMP"). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together or join a pool or organization for the joint purchasing of coverage and excess or reinsurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase coverage, insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of chapter 39.34 RCW, the Interlocal Cooperation Act. WSRMP was formed in 1986 when educational service districts and school districts in the State joined together by signing the Cooperative Risk Management Pool Account Agreement (the "Account Agreement") to pool their self-insured losses and jointly purchase coverage. Over 90 school and educational service districts are members of WSRMP.

WSRMP provides coverage and related services, such as risk management. The District is exposed to various risks of loss related to general liability, errors and omissions, and employment liability. The District is also exposed to property damage due to both man-made or natural disasters including theft of, damage to, and destruction of assets. WSRMP provides the following coverage for its members: property, liability, vehicle, errors and omissions (which includes school board liability), crime, employment practices, machinery breakdown, and cyber. WSRMP does not write surety bonds of any kind for school boards or superintendents.

Members make an annual contribution to fund WSRMP. WSRMP purchases reinsurance and excess insurance from unrelated carriers subject to a per-occurrence self-insured retention of $1 million for property risk and $2 million for liability risk shared by the members. Since WSRMP is a cooperative program, there is a joint liability among the participating members. Members no longer pay deductibles for their claims.

Members contract to remain in WSRMP for a minimum of three years and must give notice three years before terminating participation. The Account Agreement is renewed automatically each year after the initial three-year period. Even after termination, a member is still responsible for contributions to WSRMP for any unresolved, unreported, and in-process claims for the period in which they were a signatory to the Account Agreement.

WSRMP is fully funded by its member participants and is governed by a board of directors that consists of one designated representative from each participating member. An executive board is elected at the annual meeting and is responsible for overseeing the business affairs of WSRMP.

The District's premium payment for its 2022-23 coverage was $4,593,081. The District's premium payment for its 2023-24 coverage is estimated to be $5,654,525. For additional information, please see Note 10 to the audited financial statements of the District for the year ended August 31, 2023, attached hereto as Appendix C.

Unemployment Compensation

The District self-insures for unemployment compensation for all of its eligible employees. Actual employee claims are paid by the State Department of Employment Security and then reimbursed by the District. This self-insurance program is more cost-effective for the District than full participation in the State unemployment compensation program. The following is a summary of activity for fiscal years 2021-22 and 2022-23:

Fiscal Year	Beginning Balance	Additions	Reductions	Ending Balance
2022	$ 532,187	$ 383,620	$ 264,668	$ 651,139
2023	651,139	769,770	480,077	940,832

Industrial Insurance

On January 1, 2002, the District joined the Puget Sound Workers' Compensation Trust (the "Trust"), an intergovernmental risk sharing pool, approved by statute, for the purposes of group self-insuring school employee workers' compensation claims. The District forfeited its self-insurance certification at that time, and all self-insured claims prior to January 1, 2002, remain a liability for the District and are being managed by the Trust. The Trust pays the self-insured claims, and the District reimburses the Trust for those claims on an as incurred basis, until such time as the self-insured claims are closed. Claims occurring on or after January 1, 2002, are "Trust" claims which are managed and paid by the Trust. The District pays the Trust workers' compensation premiums based on employee hours worked, according to job classification codes as developed by the State Department of Labor & Industries. In addition, the District reimburses the Trust for quarterly assessments provided by the State Department of Labor & Industries to self-insured employers and self-insured groups. The Trust pays the assessments to the State Department of Labor & Industries. Assessments include the Supplemental Pension Fund, Asbestos Fund, Administrative Fund, Second Injury Fund, and Insolvency Trust Fund.

The industrial insurance payable includes reimbursement to the Trust for self-insured claim costs (including incurred but not reported claims), workers' compensation premiums to the Trust for group self-insured claims costs, and reimbursement to the Trust for assessments by the State Department of Labor & Industries. The following is a summary of activity for fiscal years 2021-22 and 2022-23:

Fiscal Year	Beginning Balance	Additions	Reductions	Ending Balance
2022	$ 688,614	$ 4,124,544	$ 4,437,251	$ 375,907
2023	375,907	8,623,828	8,239,974	759,761

Cyber Liability Insurance.

The District relies on a complex technology environment to conduct its operations and support the community it serves. A cybersecurity breach could damage District systems and cause material disruption to operations and services. The cost to remedy such damage or protect against future attacks could be substantial. Security breaches could expose the District to litigation and other legal risks, which could cause the District to incur costs related to legal or regulatory claims. The District maintains cyber liability insurance and has implemented policy measures to help offset these financial risks. Network security coverage is included in the general property and liability insurance provided to the District by WSRMP. The District has cybersecurity systems in place and has not had any material cybersecurity incidents.

Financial Factors

Accounting Policies

Washington school districts prepare their financial statements on the basis of accounting that demonstrates compliance with Washington State statutes and the *Accounting Manual for Public Schools in the State of Washington,* (issued jointly by the State Auditor and the Superintendent of Public Instruction, by the authority of RCW 43.09.200, RCW 28A.505.140, RCW 28A.505.010(1) and RCW 28A.505.020), which is an Other Comprehensive Basis Of Accounting ("OCBOA") that differs from Generally Accepted Accounting Principles ("GAAP"). Financial statements for school districts in the State fall into one of three categories: (i) GAAP—school districts that issue GAAP financial statements; (ii) OCBOA—school districts that issue GAAP financial statements except that the General Fixed Asset Group, district-wide financial statements, and the original budget are not reported; debt is reported in the notes to the financial statements; and management's discussion and analysis are not required; and (iii) school districts with less than 1,000 FTE students for the preceding fiscal year may issue cash basis financial statements. The District prepares its financial reports utilizing GAAP.

Revenues are recognized when they become measurable and available. Revenues are considered "measurable" if the amount of the transaction can be readily determined. Revenues are considered "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end. Property taxes receivable are measurable but are considered to be available only if they are collected within 30 days after year-end. Categorical program claims and interdistrict billings are measurable and available and are, therefore, accrued.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which are recorded when due. Purchases of capital assets are expensed during the year of acquisition. For federal grants, the recognition of expenditures is dependent on the obligation date.

Fund Accounting. The accounts of the District are organized on the basis of funds and account groups, each of which is a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The various funds are grouped into governmental funds. From time to time, the District makes interfund loans among governmental funds. See Note 3 to the audited financial statements of the District for the year ended August 31, 2023, attached hereto as Appendix C. On November 9, 2023, the Board authorized an interfund loan from the Capital Projects Fund to the General Fund in the amount of $45,000,000. The stated interest rate of the loan was set as equal to the rate earned by the Pierce County Local Government Investment pool. The loan is to be repaid by October 31, 2024.

Governmental Funds.

General Fund. This fund is used to account for all expendable financial resources, except those required to be accounted for in another fund.

Debt Service Fund. This fund is used to account for revenue sources that are legally restricted for the payment of general long-term debt principal, interest, and related expenditures.

Capital Projects Fund. This fund is used to account for resources set aside for the acquisition and construction of major capital facilities. The fund is generally financed from the proceeds from the sale of voted and/or non-voted bonds, State matching revenues, lease or sale of surplus real property, interest earnings, and special levies. In all instances where moneys are raised by voter-approved bond issues, the proposition must include a description of the projects for which the money is being raised.

Transportation Vehicle Fund. This fund is used to account for expenditures related to student transportation vehicle expenses.

Special Revenue Funds. These funds account for the proceeds of specific revenue sources that are legally restricted for specific purposes. The Associated Student Body Program Fund ("ASB Fund") is the only fund of this type. This fund is accounted for as a special revenue fund since the financial resources legally belong to the District.

Financial Reporting

The District presents governmental fund financial statements and related notes in accordance with GAAP (see "Accounting Policies" above). The regulatory agencies require all funds be presented as major funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses), as appropriate.

Auditing

The State Auditor is required to examine the financial affairs of school districts. School districts are audited annually, biennially, or triennially, depending on their size and whether or not they receive certain federal funding. Additionally, annual audits may be conducted at the request of a school district or the State. The District is audited annually. The examination must include, among other things, the financial conditions and resources of the school district, compliance with the State constitution and laws, and the methods and accuracy of the accounts and reports of the school district. Reports of the auditor's examinations are required to be filed in the office of the State Auditor and in the auditing department of the school district. Beginning with the 2019-2020 school year, regular financial audits must include a review of the expenditure of school district local revenues for compliance with expenditure restrictions on local revenues under EHB 2242. Any findings are reported to OSPI, the Office of Financial Management, and the education and operating budget committees of the Legislature. Each school district board of directors must adopt a policy for responding to audit findings, which policy must require a public hearing on any findings.

The audited financial statements of the District for the fiscal year ending August 31, 2023 are attached as Appendix C, are incorporated by reference to this Official Statement, which Official Statement will be filed by the Underwriters with the Municipal Securities Rulemaking Board (the "MSRB").

Summaries of the Statement of Revenues, Expenditures, and Changes in the General Fund Balance and the Statement of Revenues, Expenditures and Changes in Debt Service Fund Balance follow.

Statement of Revenues, Expenditures and Changes in General Fund Balance

(Fiscal Years Ended August 31)

	Budget		Audited				
	2024-25	**2023-24**	**2022-23**	**2021-22**	**2020-21**	**2019-20**	**2018-19**
Revenues:							
Local Funds	$ 96,394,598	$ 89,006,551	$ 82,256,530	$ 79,585,889	$ 76,049,873	$ 64,470,810	$ 70,694,921
State Funds	420,115,695	391,057,450	365,922,028	339,494,224	331,651,251	356,709,102	348,990,158
Federal Funds	48,428,108	62,203,933	75,949,612	77,269,168	65,440,974	41,693,662	36,392,932
Other[(1)]	12,950,043	10,059,814	6,263,705	5,251,149	4,703,022	4,898,554	4,971,420
Total Revenues	577,888,444	552,327,748	530,391,875	501,600,429	477,845,120	467,772,128	461,049,431
Expenditures:							
Regular Instruction	295,147,318	273,188,259	281,437,422	261,693,885	241,126,724	250,947,841	237,887,291
Federal Special Purpose Funding		13,301,571	27,570,039	22,414,538	22,168,219	--	–
Special Education Instruction	83,471,587	78,754,998	72,363,184	60,730,696	59,786,954	63,633,055	63,583,104
Career and Technical Instruction	18,320,004	18,355,102	18,391,662	18,527,213	15,771,949	16,769,563	15,957,626
Compensatory Instruction	48,352,264	45,642,906	46,035,132	46,451,845	41,844,187	41,006,503	42,330,338
Other Instructional Programs	13,608,637	11,863,799	3,037,449	2,466,224	2,864,669	2,921,475	7,040,592
Community Services	4,397,015	6,364,506	5,990,260	5,795,557	4,751,711	9,191,096	956,012
Support Services	109,111,187	106,814,148	106,253,107	90,024,739	73,042,669	88,748,907	86,538,501
Capital Outlay	--[(2)]	--[(2)]	2,533,948	8,895,001	408,118	705,168	613,048
Debt Service	--	--	811,405	258,534	--	--	–
Total Expenditures	572,408,012	554,285,289[(3)]	564,423,607	517,258,231	461,765,201	473,923,608	454,906,513
Revenues Over/(Under) Expenditures	5,480,432	(1,957,541)[(4)]	(34,031,733)[(4)]	(15,657,802)[(8)]	16,079,920	(6,151,479)	6,142,918
Other Sources (Uses)	--	--	6,940,296	3,925,920	3,092,925	3,099,700	833,081
Beginning Fund Balance	17,500,000[(5)]	29,298,928[(5)]	44,334,490	56,066,371	36,893,527	39,945,306	32,969,307
Prior Year(s) Correction or Restatements	--	--	--	--	–	–	–
Ending Fund Balance	22,980,432	27,341,387[(6)]	17,243,053	44,334,490	56,066,371[(9)]	36,893,527	39,945,306
Balance Sheet Information							
Restricted/Nonspendable	3,000,000	5,861,370	6,691,928	7,629,547	7,065,069	7,128,577	6,742,022
Committed/Assigned	1,000,000	1,000,000	14,777,691	14,539,482	11,079,840	11,873,842	10,977,651
Unassigned	18,980,432	20,480,017	(4,226,566)[(7)]	22,165,461	37,921,463	17,891,107	22,225,632
Ending Fund Balance	$ 22,980,432	$ 27,341,387	$ 17,243,053	$ 44,334,490	$ 56,066,371	$ 36,893,527	$ 39,945,306

(1) "Other" consists of revenue received from other school districts and agencies.

(2) Expenditures for capital outlay are included in the budgeted figures for the appropriate program or service.

(3) On July 11, 2024, the Board authorized (upon OSPI approval) an increase of the 2023-24 General Fund appropriation from $554,285,289 to $561,720,648 in anticipation of a potential increase in costs.

(4) Revenues under expenditures in fiscal years 2022-23 and 2023-24 may be attributed to a variety of factors, including, but not limited to: (i) declining enrollment due to continuing effects of the COVID-19 pandemic; (ii) staffing beyond enrollment; and (iii) inflation and rising staffing and program costs.

(5) The beginning fund balance in each budgeted fiscal year differs from the ending fund balance for the prior fiscal year because budgeted amounts were projected prior to the end of the prior fiscal year.

(6) As of June 30, 2024, the anticipated Ending Fund Balance for the fiscal year ending August 31, 2024, is approximately $9.2 million or 1.7% of General Fund revenue. The District has implemented a multi-year plan to increase the balance to 5% of annual General Fund revenues per District Regulation 6015.1R.

(7) The negative balance is the result of an accounting offset to the Committed/Assigned accounts.

(8) Revenues under expenditures in fiscal year 2021-22 may be attributed to a variety of factors, including, but not limited to: (i) declining enrollment due to continuing effects of the COVID-19 pandemic; (ii) staffing beyond enrollment; (iii) inflation and rising staffing and program costs; and (iv) an inter-fund transfer to the Transportation Vehicle Fund.

(9) The District originally budgeted for a lower ending fund balance. However, reduced costs and increased revenue resulted in a higher ending fund balance than originally budgeted.

Note: *Totals may not add due to rounding.*

Source: *The District's audited financial statements for fiscal years 2018-19 through 2022-23 and the 2023-24 and 2024-25 budgets.*

Minimum General Fund Balance. District Regulation 6015.1R – Fiscal Management states, in part, that in order to provide stability of the instructional programs and maintain sound financial practices, the District will establish a prudent fund balance level within the General Fund. This will be accomplished through the components of the fund balance established and directed by GASB, including an Unassigned to Minimum Fund Balance account. At the end of the fiscal year, the Unassigned to Minimum Fund Balance account should be sufficient to compensate for economic uncertainties and is targeted at five percent of the annual General Fund revenues, excluding other financing sources and transfers.

Statement of Revenues, Expenditures and Changes in Debt Service Fund Balance

(Fiscal Years Ended August 31)

	Budget		Audited				
	2024-25	**2023-24**	**2022-23**	**2021-22**	**2020-21**	**2019-20**	**2018-19**
Revenues:							
Local Funds	$74,201,345	$74,675,024	$72,141,044	$65,539,802	$60,761,506	$58,888,013	$57,817,314
State Funds	–	–	–	–	–	–	–
Federal Funds	–	–	–	–	–	–	–
Federal Stimulus	–	–	–	–	–	–	–
Other	--	--	–	–	–	–	–
Total Revenues	74,201,345	74,675,024	72,141,044	65,539,802	60,761,506	58,888,013	57,817,314
Expenditures:							
Principal	49,505,000	46,815,000	42,405,000	33,460,000	27,425,000	34,210,000	31,900,000
Interest and Other	25,091,000	25,964,626	26,753,674	27,470,056	21,167,142	24,477,259	24,610,913
Total Expenditures	74,596,000	72,779,626	69,158,674	60,930,056	48,592,142	58,687,259	56,510,913
Revenues Over/(Under) Expenditures	(394,655)	1,895,398	2,982,370	4,609,746	12,169,364	200,754	1,306,401
Net Other Sources/(Uses)	–	–	–	–	14,689	1,462,441	–
Beginning Fund Balance	32,610,235(1)	31,965,595(1)	30,551,345	25,941,599	13,757,546	12,094,351	10,787,950
Prior Year(s) Correction or Restatements	–	–	–	–	–	–	–
Ending Fund Balance	$32,215,580	$33,860,993	$33,533,715	$30,551,345	$25,941,599	$13,757,546	$12,094,351

(1) The beginning fund balance in each budgeted fiscal year differs from the ending fund balance for the prior fiscal year because budgeted amounts were projected prior to the end of the prior fiscal year.

Source: The District's audited financial statements for fiscal years 2018-19 through 2022-23 and the 2023-24 and 2024-25 budgets.

Budgetary Process

General Budgetary Policies. Chapter 28A.505 RCW and Chapter 392-123 Washington Administrative Code mandate school district budget policies and procedures. The budget is adopted by the board of directors after a public hearing. An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period. Beginning in 2018, school districts must develop four-year budget plans that include an enrollment projection and an estimate of funding necessary to maintain the continuing costs of program and service levels and any existing supplemental contracts. Beginning in 2019, school district budgets must set forth State-funded basic education salary amounts and locally funded salary amounts, in addition to total salary amounts.

Budgetary Basis of Accounting. For budget and accounting purposes, revenues and expenditures are accounted for on the modified accrual basis as prescribed by law for all governmental funds. Fund balance is budgeted as available resources and, pursuant to law, the budgeted ending fund balance cannot be negative.

Encumbrances. Encumbrance accounting is employed in governmental funds. Purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve a portion of the applicable appropriation. Encumbrances are closed at the end of the fiscal year and reopened the following year.

Response to COVID-19 Pandemic

In February 2020, Governor Inslee declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, canceling public events, limiting gathering sizes and requiring people to stay home unless they were leaving for an essential function. On April 6, 2020, the Governor closed all public and private K–12 school buildings throughout the remainder of the 2019–20 school year. The District, however, continued to operate, educating students using continuous learning models.

Operations of the District were modified in fiscal year 2020-21, which included starting the school year with online learning and moving to a hybrid online/in-person learning schedule in November 2020 for all students. Fiscal year 2021-22 was fully in-person with extracurricular activities resuming in a traditional format. The state of emergency declared by Governor Inslee expired on October 31, 2022.

Much of the initial fiscal uncertainty related to the pandemic has been mitigated by federal COVID-19 relief funding from the Elementary and Secondary School Emergency Relief Fund ("ESSER"). Three federal allocations for pandemic relief have been approved at the federal level. The Coronavirus Aid, Relief, and Economic Security (CARES) Act ("ESSER I") funds were allocated in summer 2020 with most funds used in the 2020-21 fiscal year. The Coronavirus Response and Relief Supplemental Appropriations Act, 2021 ("ESSER II") and the American Rescue Plan Act ("ESSER III") funds became available in fiscal year 2020-21. OSPI has developed the application and claiming process for ESSER II and ESSER III funds. The estimated amount of ESSER funding across all three ESSER packages is $110,650,320. The District has expended all federal ESSER funding in accordance with ESSER funding requirements.

The Bonds are payable from voter-approved excess property taxes that are dedicated exclusively to the repayment of the Bonds. The revenue derived from such excess property tax levies may not be used to fund District operations or other District expenditures.

Authorized Investments

As *ex officio* treasurer for the District, the Treasurer receives deposits and makes investments on the District's behalf, per its request or by authorized resolution. All temporary investments are stated at cost plus accrued interest, which approximates market. Investments are shown on the combined balance sheet at cost, net of amortized premium or discount. Reductions in market value are not reflected on the financial statements. Gains or losses on investments sold or exchanged are recognized at the time of sale or exchange.

Pierce County Investment Policy

The following information is a summary of the Pierce County Investment Policy based on information received from the County for use in this Official Statement, and the District, the Financial Advisor and the Underwriters make no representations as to the accuracy or completeness thereof. The full Pierce County Investment Policy can be obtained from the County.

The County has a formal investment policy (the "Investment Policy") that conforms to applicable State laws governing the investment of public funds. The Investment Policy provides the County will safely invest public funds in ways that meet cash flow demands and conform to all State and local statues governing the investment of public funds, while providing a market rate of return through budgetary and economic cycles. As further described in the Investment Policy, the primary objectives, in priority order, of County investment activities shall be: safety; liquidity; and return on investment. The "Prudent Person" standard will be applied by Investment Officers when managing the overall portfolio under prevailing economic conditions at the moment of investment commitments.

Pursuant to the Investment Policy, the investment portfolio will be diversified. To eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer or class of securities, all cash and cash equivalent assets in all funds shall be diversified by maturity, issuer and by the class of security. Diversification strategies shall be determined and revised periodically by the investment committee/investment officer for all funds as further described in the Investment Policy. The investment portfolio will be managed in accordance with the parameters specified within the Investment Policy. At least quarterly, a report will be submitted to the Pierce County Fiscal Management Committee (the "Committee") for their review, summarizing the current position of the portfolio for the County. The Investment Policy shall be reviewed on an annual basis by the Committee and the Committee must approve any modifications to the Investment Policy.

The Investment Policy applies to all financial assets of the County and its junior taxing districts as accounted for in Pierce County's Annual Comprehensive Financial Report to include: General Fund; Special Revenue Funds; Capital Projects Funds; Enterprise Funds; Trust and Agency Funds; Debt Service Funds (unless prohibited by bond indentures); and any new fund created by County ordinance, unless specifically exempted. Should bond covenants be more restrictive than this policy, those bond proceeds shall be invested in full compliance with those restrictions.

The Investment Policy lists the following as authorized investments.

1. U.S. Treasury Obligations.

2. U.S. Government Agency obligations and U.S. Government Sponsored Enterprises which may include, but are not limited to the following: Federal Farm Credit Bank, Federal Home Loan Bank, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and Tennessee Valley Authority.

   The County may purchase new issue agency securities for a delayed settlement. These securities typically are issued at par and are available from most of the dealers in the new issue market. It will be at the investment officer's discretion to wait to purchase these issues after they "break syndicate" (are "free to trade" at negotiable prices) allowing the agency to ask dealers to offer the securities at a market price that may differ from the initial offering price of par.

3. Banker's Acceptances purchased through State of Washington Financial Institutions and authorized broker/dealers. Banker's Acceptances shall not be longer than six months duration. Investments in Banker's Acceptances must be in the top thirty banks in the United States, including all banks in the State of Washington as authorized by the Public Deposit Protection Commission. Further, within these limitations, investments may be made only in those banks whose other negotiable obligations are rated at least A-1, P-1 or F-1 (at the time of purchase) by at least two or more internationally recognized agencies such as Moody's or Standard and Poor's.

4. Commercial Paper, purchased in the secondary market, and complying with the State Investment Board requirements. These requirements include commercial paper rated at least A-1, P-1 or F-1 (at the time of purchase) by at least two or more internationally recognized agencies such as Moody's or Standard and Poor's and have a maturity not exceeding 180 days. Maturities in excess of 100 days must also have a long-term rating of Aa or better by at least one recognized rating agency. Asset Backed commercial paper is not allowed under this policy.

5. Non-negotiable Certificates of Deposit of financial institutions which are qualified public depositories as defined by RCW 39.58.010(2) and in accordance with the restrictions therein.

6. Repurchase Agreements provided that a signed Master Repurchase Agreement shall be on file with the County for all financial institutions that enter into a repurchase agreement with the County. All repurchase agreements will be collateralized at a minimum of 102% of market value of principal and interest. The only eligible collateral for repurchase agreements will be direct obligations of the U.S. Treasury, U.S. Government Agency and/or U.S. Government instrumentality obligations. All securities shall be held in third party safekeeping. Third party safekeeping agreements must be entered into with a signed agreement between the safekeeping financial institution and the Finance Department of the County. All securities in a repurchase agreement shall be priced daily to reflect current market conditions for both principal and accrued interest. Securities shall be purchased from either primary dealers or from institutions that are members of the Washington Public Depository. Credit worthiness of the institution will also be considered.

7. Bonds of the State of Washington and any local government in the State of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency.

8. General obligation bonds of a state other than the State of Washington and general obligation bonds of a local government of a state other than the State of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency.

9. Washington State Local Government Investment Pool ("LGIP"). The Finance Department will keep on file the most recent LGIP Investment Policy and operations manual. This policy will be assessed periodically for safety of funds on deposit with the LGIP and risks associated with investment strategies. In addition, the LGIP will complete a questionnaire for the County which will include the following: a description of eligible securities; how interest and fees are calculated; how gains and losses are calculated; a description of how the securities are safeguarded, how often the securities are priced, and how often the program is audited; deposit and withdrawal restrictions; and information regarding how bond proceeds are accounted for in the LGIP.

10. Pierce County Separately Managed Account pursuant to signed contract with State of Washington, Office of State Treasurer.

11. Other investments authorized by law. Classes of securities not previously purchased by the County must be approved by the Director of Finance, the Deputy Director, or the Revenue & Investment Manager in advance of agreement to purchase the security.

12. A signed master repurchase agreement in conformance with the Public Securities Association model agreement and supplemented with the Treasurer's policy on repurchase agreements must be executed prior to entering into a repurchase agreement transaction.

The County will only invest in securities when the final maturity date is known at the time of purchase.

Pension System

Pensions for District employees are provided through plans administered by the State Department of Retirement Systems ("DRS"). Substantially all District full-time and qualifying part-time employees participate in one of the following three State-wide retirement systems: (i) the State Teachers' Retirement System ("TRS") for certificated employees, (ii) the Public Employees' Retirement System ("PERS") for non-certificated employees and (iii) the School Employees' Retirement System ("SERS") for classified employees. TRS includes three plans (Plans 1, 2 and 3), PERS includes three plans (Plans 1, 2 and 3), and SERS includes two plans (Plans 2 and 3). School district participants who joined the retirement system by September 30, 1977, are eligible to be either TRS or PERS Plan 1 members. Those who joined thereafter are enrolled in either TRS Plans 2 or 3, or SERS Plans 2 or 3. All Plans 1 and 2 are defined benefit plans. New participants have the irrevocable option of choosing membership in either their TRS or SERS respective Plans 2 or Plans 3. This option must be exercised within 90 days of hire, and if not exercised the participant will be placed in a Plan 3. Each of SERS Plan 3 and TRS Plan 3 consist of a defined benefit and a defined contribution portion. For additional information regarding benefits and descriptions of the foregoing TRS, SERS and PERS plans, please see Note 6 to the audited financial statements of the District for the fiscal year ended August 31, 2023, attached hereto as Appendix C, and the DRS Annual Comprehensive Financial Report (the "DRS ACFR") for the State fiscal year ended June 30, 2023, which is not incorporated by reference into this Official Statement and which can be obtained from DRS.

The District contributed $45,796,177 in fiscal year ended August 31, 2023 to its pension plans and estimates contributing $45,806,044 in fiscal year ending August 31, 2024. District employees also are eligible to participate in the federal social security program.

Plan Funding; Contribution Rates and Amounts. All DRS retirement plans are funded by a combination of funding sources: (1) contributions from the State for certain plans; (2) contributions from employers (including the State as employer and the District and other governmental employers); (3) contributions from employees; and (4) investment returns. PERS, TRS and SERS funds are invested in accordance with policies established by the Washington State Investment Board, a 15-member board created by the Legislature.

For PERS 1 and TRS 1, the employee contribution rate is fixed by statute at six percent. For all Plans 3, the employee contribution rate is selected by the employee, and employee contributions do not finance the defined benefit portion of the plan. All other employer and employee contribution rates to PERS, TRS and SERS plans are adopted by the State Pension Funding Council for the next ensuing State biennium according to a statutory rate-setting process. The rates adopted by the Pension Funding Council are subject to revision by the Legislature. The following table lists current contribution rates for employers and employees:

	Contribution Rates 2023-2025 Biennium	
	Effective 09/01/2024	
	Employer Rate(1)	**Employee Rate(2)**
PERS Plan 1	9.11%	6.00%
PERS Plan 2/3	9.11	6.36
TRS Plan 1	9.86	6.00
TRS Plan 2/3	9.86	8.06
SERS Plan 2/3	10.51	7.76

(1) Includes a 0.20 percent DRS administrative expense rate.
(2) Employee contribution rates for Plans 1 and 2 only. Plan 3 employee contribution rates vary from 5.0% minimum to 15.0% maximum based on the rate selected by the plan member. Plan 3 members do not contribute to the defined benefit portion of Plan 3. Employee contribution rates for PERS Plan 1 and TRS Plan 1 are set by statute.

Source: Department of Retirement Systems.

While the District's prior contributions represent its full statutorily required contribution under the retirement systems, any unfunded pension benefit obligations could be reflected in future years as higher contribution rates. The Office of the State Actuary ("OSA") website (which is not incorporated into this Official Statement by reference) includes information regarding the values, funding levels and investments of these retirement plans. For additional information, please see Note 6 to the audited financial statements of the District for the fiscal year ended August 31, 2023, attached hereto as Appendix C.

OSA uses the Entry Age Normal ("EAN") cost method to estimate accrued pension liabilities for the purposes of reporting funded status. The EAN method represents each plan member's benefits as a constant share of payroll throughout the member's career. This liability estimate incorporates the statutorily set discount rate and fully reflects the updated demographic assumptions from OSA's 2013-2018 Demographic Experience Study, June 2020. Based on the information presented in the Washington State 2023 Actuarial Valuation Report, August 2024, using the EAN methodology, and as of June 30, 2023, the funded status of the State-administered plans in which the District participates is as follows: PERS Plan 1 is 80 percent funded, PERS Plan 2/3 is 97 percent funded, TRS Plan 1 is 86 percent funded, TRS Plans 2 and 3 are 92 percent funded, and SERS Plans 2 and 3 are 93 percent funded. The EAN liability estimate as of June 30, 2023, assumed a discount rate of 7.00 percent.

Assets of SERS Plans 2 and 3 and TRS Plans 2 and 3 are accounted for in the same pension trust fund and may legally be used to pay the defined benefits of any SERS Plan 2 or 3 and TRS Plans 2 or 3 members, respectively. Assets for one plan may not otherwise be used to fund benefits for another plan; however, all employers in PERS, SERS and TRS are required to make contributions to their plan at a rate (percentage of payroll) determined by the OSA every two years for the sole purpose of amortizing the PERS Plan 1 and TRS Plan 1 unfunded actuarial accrued liability within a rolling 10-year period. The Legislature established certain minimum contribution rates that became effective in 2015 and remain in effect until the actuarial value of assets in PERS Plan 1 and TRS Plan 1 equals 100 percent of the actuarial accrued liability of PERS Plan 1 and TRS Plan 1. These rates are subject to change by future legislation enacted by the State Legislature to address future changes in actuarial and economic assumptions and investment performance.

The following table shows the funded status on the EAN basis. The funded status measured in the following table may vary from those presented in the DRS ACFR because the assumptions and methods applied to determine contribution requirements (under a funding valuation) may not apply for financial reporting under Government Accounting Standards Board ("GASB") accounting standards (an accounting valuation).

Funded Status on an Entry Age Normal Basis as of June 30, 2023
(Dollars in Millions)

		PERS[1]		TRS[1]		SERS[1]
		Plan 1	**Plan 2/3**	**Plan 1**	**Plan 2/3**	**Plan 2/3**
EAN Liability[2]		$10,701	$60,245	$7,807	$25,616	$9,574
Actuarial Value of Assets[3]		8,561	58,592	6,732[4]	23,569	8,858
Unfunded Accrued Liability		$ 2,140	$ 1,653	$1,075	$ 2,047	$ 715
Funded Ratio (%)						
As of June 30:	2023[2]	80%	97%	86%	92%	93%
	2022[2]	75	97	80	92	92
	2021[2][5]	71	95	73	90	91
	2020	69	98	71	93	93
	2019[5]	65	96	66	91	91

(1) Assets from one plan may not be used to fund benefits for another plan.
(2) Liabilities have been valued using an interest rate of 7.0%, assumed general salary growth of 3.25%, assumed inflation of 2.75% and growth in membership of 1.00%.
(3) Assets have been valued using the actuarial value of assets.
(4) Reflects deposit of $250 million on June 30, 2023 (discounted to the June 30, 2022 valuation date) pursuant to the 2021-23 Omnibus State Operating Budget, as amended by Engrossed Substitute Senate Bill 5294 (ch. 396, Laws of 2023).
(5) Reflects actuarial assumptions changes.

Note: Totals may not add due to rounding.

Source: Office of the State Actuary.

GASB 68. GASB Statement No. 68 ("GASB 68") implemented pension standards that require employers, including the District, to report their pension liabilities on a GAAP basis rather than a funding basis. Beginning with its 2015 financial statements, the District reported its proportionate share of the net plan asset or liability for each pension plan in which District employees participate. The liability is based on the actuarial present value of projected benefit payments to periods of employee service, a discount rate that considers the availability of plan assets and recognition of projected investment earnings. The DRS determines each participating employer's proportionate share of the plan liability and OSA determines each plan's accounting valuation. The GASB 68 rules impact accounting for pensions and not the funded status of the plans calculated by OSA or pension contribution rates that are set based on statutory assumptions.

DRS calculated the collective net pension liability for the various retirement plans based on the GASB 68 reporting requirements as well as the District's share of such liability for the State fiscal year ended June 30, 2022. These net pension liabilities were reported in the DRS ACFR and are based upon OSA's Washington State 2022 Actuarial Valuation Report, August 2023. Based on that report, the contributions from plan members and employers are assumed to continue to be made at contractually required rates, the assumed discount rate is 7.00%, the assumed economic inflation rate is 2.75%, the assumed salary growth rate is 3.25% (exclusive of promotions and longevity increases), and the assumed rate of growth in membership is 1.00% in PERS and TRS. For further information, see the DRS ACFR, which is not incorporated by reference into this Official Statement and which can be obtained from DRS.

The following table shows the District's share of the net pension liability or (asset) for the plans it participates in for the State fiscal year ended June 30, 2023 based on its share of contributions for the year.

District's Share of Pension Liability or (Asset)

	Net Pension Liability or (Asset)[1]	District's Percent	District's Share of Net Pension Liability or (Asset)
PERS Plan 1	$ 2,282,732,000	0.500395%	$ 11,422,673
TRS Plan 1	1,266,517,000	2.927748	37,080,429
TRS Plan 2/3	(122,815,000)	2.917119	(3,582,659)
SERS Plan 2/3	(143,144,000)	2.806875	(4,017,873)

(1) Accounting results are measured as of June 30, 2023 per the Washington State 2022 Actuarial Valuation Report.

Source: OSPI Pension Reporting Tool and DRS Participating Employer Financial Information for Fiscal Year Ended June 30, 2023.

Other Post-Employment Benefits

GASB 75. GASB issued GASB Statement No. 75 ("GASB 75") concerning Accounting and Financial Reporting By Employers for Post-Employment Benefits Other than Pensions that were previously addressed by GASB Statement No. 45. In addition to pensions, many state and local governmental employers provide other post-employment benefits ("OPEB") as part of total compensation to attract and retain the services of qualified employees. OPEB includes post-employment healthcare, life insurance and long-term care, as well as other forms of post-employment benefits when provided separately from a pension plan. GASB 75 provides for the measurement, recognition and display of OPEB access to expense/expenditures, related liabilities (assets), note disclosures, and if applicable, required supplementary information in the financial reports. GASB 75 requires disclosure of net OPEB liability for the last 10 fiscal years or as many years as available.

District OPEB Reporting. The District offers OPEB to current and past employees that is required to be disclosed under GASB 75. District employees may participate in the multiple-employer State OPEB plan. As of August 31, 2023, the District reported a total OPEB liability of $133,533,864. This liability was determined based on a measurement date of August 31, 2022. For additional information, please see Note 10 to the audited financial statements of the District for the year ended August 31, 2023, attached hereto as Appendix C.

PEBB Overview. The Public Employee Benefits Board ("PEBB"), created within the State Health Care Authority ("HCA"), administers medical, dental and life insurance plans for State public employees and retirees and offers retirees access to OPEB (the "PEBB Plan"). Employers who participate in the PEBB Plan include the State, K-12 school districts, numerous political subdivisions of the State and tribal governments. Employers subsidize a portion of the cost of some PEBB Plan benefits. The relationship between the PEBB Plan and its member employers and their employees and retirees is not formalized in a contract or plan document; rather, the benefits are provided in accordance with a substantive plan, which GASB defines as the plan as understood by the employers and employee members.

SEBB Overview. EHB 2242 created the School Employees Benefits Board ("SEBB") within the HCA to design and approve benefit plans for school employees and to establish eligibility criteria for participation in benefit plans (the "SEBB Plan"). The SEBB Plan is a community-rated risk pool separate and distinct from the PEBB Plan. SEBB Plan employers (K-12 school districts, educational service districts, and charter schools) subsidize a portion of the cost of some SEBB Plan benefits. There were approximately 279,600 members enrolled in SEBB Plan medical coverage as of August 2024.

The SEBB meets regularly to study statewide insurance matters and discuss best practices for designing a set of cost-efficient, value-based insurance offerings for SEBB Plan enrollees and their dependents. The SEBB's statutory duties are to: (i) study matters regarding health care coverage and other types of insurance; (ii) develop plans that include comprehensive, evidence-based health care benefits; (iii) authorize premium contributions to encourage cost-effective health care systems; (iv) determine terms and conditions of eligibility criteria, enrollment policies, and the scope of coverage; (v) establish penalties for when an employer fails to comply with the terms and conditions; and (vi) participate with the HCA in approving plan specifications and carrier selection to leverage efficient purchasing through coordination with the PEBB.

The HCA's responsibilities with respect to the SEBB Plan include, among others: (i) procuring for and administering insurance coverage under the SEBB Plan; (ii) proposing rules for the SEBB Plan with input from the public and policies approved by the SEBB; (iii) providing information and technical and administrative assistance to the SEBB; and (iv) providing guidance to SEBB organizations for making eligibility determinations. The State, through the Office of Financial Management, bargains with a single coalition of union representatives for the employer's contribution toward school employees' health care benefits. The first collective bargaining process occurred July 1 through September 30, 2018 for SEBB Plan benefits commencing January 1, 2020.

The HCA sets SEBB plan contribution rates for school districts and educational service districts, subject to approval of the Governor. Monthly employer contribution rates per eligible employee were set at $1,000 for the 2020-21 school year, $968 for the 2021-22 school year, $1,026 for the 2022-23 school year and $1,100 for the 2023-24 school year. The District's preliminary analysis of costs of SEBB benefits in the initial three years show a minimal fiscal impact; however, the District cannot predict the fiscal impact of future changes to contribution rates.

PEBB Membership. The PEBB Plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums. Retirees' access to the PEBB Plan depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the PERS, TRS and SERS retirement systems. SEBB members became separate from PEBB members commencing January 1, 2020.

Employers participating in the PEBB Plan for the State include general government agencies, higher education institutions, and component units. Additionally, 8 of the State's K-12 public schools and educational service districts, and 274 other political subdivisions and tribal governments participate in the PEBB Plan. There were approximately 405,500 members (including active and retired employees and their dependents) enrolled in PEBB Plan medical coverage as of August 2024.

Funding of PEBB Plan. In the State, retiree benefits and contributions by the State as employer and local governments for their respective employees are set each biennium as part of the budget process. These benefits are funded on a pay-as-you-go basis.

According to State law, the State Treasurer collects a fee from all school district entities that have employees who are not current active members of the HCA but participate in the State retirement system. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees that elect to purchase their health care benefits through the HCA. Previously, the District was required to pay monthly fees to the HCA to support the PEBB Plan; however, commencing on January 1, 2020, the PEBB Plan payment was included in the monthly payment to SEBB for employee benefits. This assessment to the District is set forth in the State's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for post-employment health care benefits.

The District has no control over the benefits offered to retirees, the rates charged to retirees, nor the fee paid to the HCA. The District does not determine its annual required contribution nor the net OPEB obligation associated with this plan. Accordingly, these amounts are not shown on the District's financial statements. This is a departure from GAAP.

Supplemental Retirement Benefits. In addition to the pension and retiree healthcare benefits described above, the District offers employees a 403(b) tax-sheltered annuity plan (traditional/pre-tax or Roth), two 457 deferred compensation plans (traditional/pre-tax and/or Roth) and a Washington State 529 college savings plan. For certain employee classifications (exempt, principal), the District contributes up to 5% of the employee's salary per pay period if the employee contributes twice that amount towards their 403(b) or 457 plan. The plan assets are not included in the District's financial statements.

Demographic Information

The District encompasses approximately 56 square miles in the County at the southern end of Puget Sound, southwest of the City of Seattle. The District's boundaries include the City of Ruston, a majority of the City of Tacoma, a portion of the cities of Fircrest, Lakewood and University Place, and portions of the unincorporated County.

Population. Historical population of the State, the County, and the cites of Fircrest, Lakewood, Ruston, Tacoma and University Place are set forth below.

Population

Year	City of Fircrest	City of Lakewood	City of Ruston	City of Tacoma	City of University Place	Pierce County	State of Washington
2023	7,235	64,150	1,065	222,400	35,580	946,300	7,951,150
2022	7,215	63,800	1,060	220,800	35,420	937,400	7,864,400
2021	7,195	63,600	1,060	218,700	35,100	928,200	7,766,975
2020(1)	7,156	63,612	1,055	219,346	34,866	920,393	7,706,310
2019	6,770	59,670	1,005	211,400	33,090	888,300	7,546,410

(1) Census Count.

Source: Washington State Office of Financial Management for postcensal estimates as of each April 1.

Income. Historical personal income and per capita income levels for the County and the State are set forth below.

Pierce County and State of Washington
Total Personal and Per Capita Income

	Pierce County		State of Washington	
Year	Total Personal Income (in thousands)	Per Capita Income	Total Personal Income (in thousands)	Per Capita Income
2022(1)	$55,630,100	$59,986	$586,520,188	$75,332
2021	55,137,240	59,466	574,266,835	74,188
2020	51,285,933	55,533	522,713,789	67,674
2019	47,470,340	51,939	484,334,162	63,405
2018	44,407,824	49,220	451,609,165	59,827

(1) Latest available data.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, July, 2024.

Median Household Income. Historical median household income for the County and the State is set forth below.

Median Household Income

Year	Pierce County	State of Washington
2023(1)	$95,897	$94,308
2022(2)	92,793	91,255
2021	85,492	84,155
2020	80,236	80,319
2019	78,779	78,674

(1) Projected.
(2) Estimate.

Source: Washington State Office of Financial Management. Amounts are in current dollars, July, 2024.

Taxable Retail Sales. Taxable retail sales reflect only those sales subject to retail sales tax. Historical taxable retail sales for the County and the cities of Fircrest, Lakewood, Ruston, Tacoma and University Place are set forth below.

Taxable Retail Sales

Year	City of Fircrest	City of Lakewood	City of Ruston	City of Tacoma	City of University Place	Pierce County
2023	$86,741,098	$1,613,293,447	$50,810,701	$6,999,681,932	$510,739,738	$22,426,921,317
2022	86,195,331	1,645,405,490	45,853,590	7,104,415,018	491,461,729	22,849,417,437
2021	90,644,050	1,640,025,481	41,046,329	6,699,732,445	445,518,771	21,886,640,381
2020	73,191,542	1,383,077,381	38,317,982	5,700,693,214	386,446,126	18,533,217,805
2019	66,501,520	1,372,619,955	33,869,719	5,887,578,667	360,024,255	17,929,789,382

Source: Washington State Department of Revenue, July, 2024.

Building Permits. The number and valuation of new single-family and multi-family residential building permits for the County and the cities of Fircrest, Lakewood, Ruston, Tacoma and University Place are set forth below.

City of Fircrest
Residential Building Permits

	New Single Family Units		New Multi-Family Units		Total
Year	Number	Construction Cost	Number	Construction Cost	Construction Cost
2024(1)	2	$1,100,000	0	0	$1,100,000
2023	3	1,650,000	0	0	1,650,000
2022	2	725,000	0	0	725,000
2021	0	0	0	0	0
2020	4	1,189,904	0	0	1,189,904

(1) Data through May.
Source: *U.S. Bureau of the Census, July, 2024.*

City of Lakewood
Residential Building Permits

	New Single Family Units		New Multi-Family Units		Total
Year	Number	Construction Cost	Number	Construction Cost	Construction Cost
2024(1)	18	$5,283,063	90	$9,814,578	$15,097,641
2023	41	14,197,567	39	6,765,946	20,963,513
2022	44	15,399,413	113	9,996,627	25,396,040
2021	61	24,107,375	22	3,336,146	27,443,521
2020	58	20,133,752	104	9,290,145	29,423,897

(1) Data through May.
Source: *U.S. Bureau of the Census, July, 2024.*

City of Ruston
Residential Building Permits

Year	New Single Family Units		New Multi-Family Units		Total
	Number	Construction Cost	Number	Construction Cost	Construction Cost
2024[1]	1	$ 461,500	0	0	$ 461,500
2023	1	461,500	0	0	461,500
2022	4	1,846,000	0	0	1,846,000
2021	2	923,000	0	0	923,000
2020	4	1,846,000	0	0	1,846,000

(1) Data through May.
Source: *U.S. Bureau of the Census, July, 2024.*

City of Tacoma
Residential Building Permits

Year	New Single Family Units		New Multi-Family Units		Total
	Number	Construction Cost	Number	Construction Cost	Construction Cost
2024[1]	54	$16,738,129	37	$ 5,957,608	$ 22,695,737
2023	84	24,806,658	608	127,667,936	152,474,594
2022	149	42,296,423	1,391	200,409,861	242,706,284
2021	250	69,358,027	2,220	276,596,330	345,954,357
2020	165	45,824,292	613	70,920,923	116,745,215

(1) Data through May.
Source: *U.S. Bureau of the Census, July, 2024.*

City of University Place
Residential Building Permits

Year	New Single Family Units		New Multi-Family Units		Total
	Number	Construction Cost	Number	Construction Cost	Construction Cost
2024[1]	2	$ 653,113	0	0	$ 653,113
2023	13	5,058,736	0	0	5,058,736
2022	8	2,652,266	341	31,602,131	34,254,397
2021	14	4,866,778	106	8,694,343	13,561,121
2020	20	6,268,485	114	14,191,607	20,460,092

(1) Data through May.
Source: *U.S. Bureau of the Census, July, 2024.*

Pierce County
Residential Building Permits

Year	New Single Family Units		New Multi-Family Units		Total
	Number	Construction Cost	Number	Construction Cost	Construction Cost
2024[1]	804	$248,167,537	488	$ 69,603,651	$ 317,771,188
2023	1,735	543,662,570	1,403	246,202,464	789,865,034
2022	2,322	732,717,432	2,408	317,829,261	1,050,546,693
2021	3,207	980,291,071	2,865	359,660,886	1,339,951,957
2020	2,664	799,057,310	2,258	312,418,142	1,111,475,452

(1) Data through May.
Source: *U.S. Bureau of the Census, July, 2024.*

Employment. The following table presents major employers in the County.

Major Employers

Employer	**Type of Business**	**Number of Full-Time Equivalent Employees**
Joint Base Lewis-McChord	Military	54,000
MultiCare Health System	Healthcare	8,264
The State	Government	7,859
CHI Franciscan Health	Health Care	5,682
The District	Education	3,649
City of Tacoma and Tacoma Public Utilities	Government	3,623
The County	Government	3,304
Puyallup School District	Education	2,711
Bethel School District	Education	2,689
Safeway and Albertsons	Grocer	2,153(1)
Emerald Queen Casino	Gaming	2,146
Fred Meyer Retail and Distribution Center	Retail and Distribution	1,802(1)
Amazon Distribution Centers	Distribution	1,800
Clover Park School District	Education	1,782
Boeing	Aerospace Manufacturing	1,550

(1) Estimated using industry/company data.

Source: *2020 Pierce County Major Employers List assembled and published by Tacoma-Pierce County Economic Development Board. Most recent data available from this source.*

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Labor force and employment data for the County is set forth in the following tables. Civilian Labor Force data is based on household surveys of residents. NAICS data are estimates based on surveys of employers and benchmarked based on covered employment as reported by all employers.

Pierce County
Nonagricultural Wage and Salary Workers(1)
and Labor Force and Employment Data

	Annual Average					
	2024(2)	**2023**	**2022**	**2021**	**2020**	**2019**
Civilian Labor Force	455,800	455,093	450,297	441,427	449,543	449,363
Total Employment	428,811	433,735	428,293	414,713	406,487	426,219
Total Unemployment	26,989	21,358	22,004	26,714	43,056	23,144
Unemployment Rate	5.9%	4.7%	4.9%	6.1%	9.6%	5.2%
NAICS INDUSTRY (in thousands)(3)	**2024(4)**	**2023**	**2022**	**2021**	**2020**	**2019**
Total Nonfarm	340.4	340.4	334.8	321.1	311.8	326.4
Total Private	280.1	281.6	277.3	264.5	255.0	266.9
Goods Producing	42.0	42.9	43.8	42.5	41.7	43.2
Mining and Logging	0.3	0.3	0.3	0.4	0.3	0.3
Construction	25.2	25.8	26.4	25.4	24.8	25.2
Manufacturing	16.5	16.7	17.0	16.7	16.6	17.7
Service Providing	298.4	297.5	291.1	278.6	270.1	283.2
Trade, Transportation, and Utilities	70.4	72.1	72.0	69.7	66.9	67.3
Wholesale Trade	13.6	13.7	13.3	12.7	12.6	13.4
Retail Trade	36.1	37.4	37.3	37.2	35.5	36.1
Transportation, Warehousing, and Utilities	20.7	21.0	21.4	19.8	18.9	17.8
Information	2.0	2.1	1.9	1.7	2.0	2.2
Financial Activities	14.4	14.4	14.3	14.5	14.5	14.7
Professional and Business Services	38.4	39.7	38.9	35.9	32.9	34.0
Education and Health Services	64.7	61.6	59.4	58.2	57.1	56.9
Leisure and Hospitality	34.7	35.5	34.0	29.9	27.2	34.0
Other Services	13.4	13.3	13.1	12.2	12.6	14.7
Government	60.3	58.8	57.5	56.5	56.8	59.5
Federal Government	11.2	11.2	11.2	11.4	11.7	11.9
State Government	10.5	10.0	9.9	10.5	10.9	11.1
Local Government	38.7	37.6	36.4	34.7	34.3	36.5
Workers in Labor/Management Disputes	0	0	0	0	0	0

(1) Excludes proprietors, self-employed, members of the armed services, workers in private households, and agriculture. Includes all full- and part-time wage and salary workers receiving pay during the pay period including the 12th of the month.
(2) Data through April.
(3) North American Industry Classification System.
(4) Preliminary data through May.

Source: Washington State Employment Security Department, July, 2024.

Tax Exemption

Exclusion From Gross Income. In the opinion of Bond Counsel, under existing federal law and assuming compliance by the District with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issue date of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals. However, interest on the Bonds will be taken into account in determining adjusted financial statement income that may be subject to the alternative minimum tax applicable to certain corporations.

Continuing Requirements. The District is required to comply with certain requirements of the Code after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances, and the requirement to comply with the arbitrage rebate requirements to the extent applicable to the Bonds. The District has covenanted in the Bond Resolution to comply with those requirements, but if the District fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. Bond Counsel has not undertaken and does not undertake to monitor the District's compliance with such requirements.

Tax on Certain Passive Investment Income of S Corporations. Under Section 1375 of the Code, certain excess net passive investment income, including interest on the Bonds, received by an S corporation (a corporation treated as a partnership for most federal tax purposes) that has Subchapter C earnings and profits at the close of the taxable year may be subject to federal income taxation at the highest rate applicable to corporations if more than 25 percent of the gross receipts of such S corporation is passive investment income.

Foreign Branch Profits Tax. Interest on the Bonds may be subject to the foreign branch profits tax imposed by Section 884 of the Code when the Bonds are owned by, and effectively connected with a trade or business of, a United States branch of a foreign corporation.

Original Issue Premium. The initial public offering price of Bonds of certain maturities may be greater than the amount payable on such Bonds at maturity ("Premium Bonds"). All prospective purchasers of Premium Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

Original Issue Discount. The initial public offering price of Bonds of certain maturities may be less than the amount payable on such Bonds at maturity ("Discount Bonds"). All prospective purchasers of Discount Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Discount Bonds.

Possible Consequences of Tax Compliance Audit. The Internal Revenue Service (the "IRS") has established a general audit program to determine whether issuers of tax-exempt obligations, such as the Bonds, are in compliance with requirements of the Code that must be satisfied in order for interest on those obligations to be, and continue to be, excluded from gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS would commence an audit of the Bonds. Depending on all the facts and circumstances and the type of audit involved, it is possible that commencement of an audit of the Bonds could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of its ultimate outcome.

Potential Future Federal Tax Law Changes. Current and future legislative proposals, if enacted into law, may directly or indirectly cause interest on the Bonds to be subject in whole or in part to federal income taxation, prevent the beneficial owners of the Bonds from realizing the full benefits of the current federal tax status of interest on the Bonds, or affect, perhaps significantly, the market value or marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding the potential impact of any pending or proposed legislation or regulations.

Certain Other Federal Tax Consequences

Reduction of Loss Reserve Deductions for Property and Casualty Insurance Companies. Under Section 832 of the Code, interest on the Bonds received by property and casualty insurance companies will reduce tax deductions for loss reserves otherwise available to such companies by an amount equal to 25 percent of tax-exempt interest received during the taxable year.

Effect on Certain Social Security and Retirement Benefits. Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take receipts or accruals of interest on the Bonds into account in determining gross income.

Other Possible Federal Tax Consequences. Receipt of interest on the Bonds may have other federal tax consequences as to which prospective purchasers of the Bonds may wish to consult their own tax advisors.

Continuing Disclosure

Undertaking to Provide Continuing Disclosure. In accordance with paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the District has agreed to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB"), the following annual financial information and operating data for the prior fiscal year (commencing in 2025 for the fiscal year ended August 31, 2024): (1) Annual financial statements, which statements may or may not be audited, showing ending fund balances for the District's General Fund, prepared in accordance with regulations prescribed by the Superintendent of Public Instruction and the State Auditor under RCW 28A.505.020, RCW 28A.505.090, RCW 28A.505.140, and RCW 43.09.200 (or any successor statutes) and generally of the type included in this Official Statement in the tables titled "Statements of Revenues, Expenditures and Changes in General Fund Balance" and "Statements of Revenues, Expenditures and Changes in Debt Service Fund Balance"; (2) the assessed value of taxable property in the District; (3) *ad valorem* taxes due and percentage of taxes collected; (4) property tax levy rates per $1,000 of assessed value; and (5) outstanding general obligation debt of the District.

The information and data described above are to be provided on or before nine months after the end of the District's fiscal year. The District may adjust that date if the District changes its fiscal year by providing written notice of the change of fiscal year and the new reporting date to the MSRB. In lieu of providing such annual financial information and operating data, the District may specifically refer to other documents available to the public on the MSRB's internet website or filed with the Securities and Exchange Commission.

If not provided as part of the annual financial information discussed above, the District is to provide to the MSRB the District's audited annual financial statement prepared in accordance with regulations prescribed by the Superintendent of Public Instruction and the State Auditor pursuant to RCW 28A.505.020, RCW 28A.505.090, RCW 28A.505.140, and RCW 43.09.200 (or any successor statutes), when and if available.

Listed Events. The District is to provide notice of the following events with respect to the Bonds in a timely manner no more than ten business days after the occurrence of the event:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) Modifications to the rights of Bond owners, if material;

(8) Bond calls, if material, and tender offers for the Bonds;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Bonds, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event of the District;

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a financial obligation of the District or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or obligated person, any of which affect Bond holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar event under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties.

For purposes of items (15) and (16), the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12. Solely for purposes of disclosure, and not intending to modify the undertaking, the District advises that no property or debt service reserve secures repayment of the Bonds.

Notification Upon Failure to Provide Financial Data. The District agrees to provide or cause to be provided, to the MSRB, in a timely manner, notice of its failure to provide the annual information described above on or prior to the date described above.

EMMA; Format for Filings with the MSRB. Until otherwise designated by the MSRB or the Securities and Exchange Commission, any information or notices submitted to the MSRB in compliance with Rule 15c2-12 are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org. All notices, financial information, and operating data required by the undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to the undertaking must be accompanied by identifying information as prescribed by the MSRB.

Termination/Modification. The District's obligations to provide annual financial information and notices of listed events will terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. The undertaking, or any provision thereof, will be null and void if the District (1) obtains an opinion of nationally recognized bond counsel to the effect that those portions of Rule 15c2-12 that require the undertaking, or any such provision, are invalid, have been repealed retroactively or otherwise does not apply to the Bonds; and (2) notifies the MSRB of such opinion and the cancellation of such provision. Notwithstanding any other provision of the undertaking or of the Bond Resolution, the District may amend the undertaking and any provision of the undertaking may be waived with an approving opinion of nationally recognized bond counsel.

In the event of any amendment of or waiver of any portion of the undertaking, the District is to describe such amendment or waiver in the next annual report, and include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change is to be given in the same manner as for a listed event, and (2) the annual report for the year in which the change is made is to present a comparison (in narrative form and also, if practical, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Bond Owner's Remedies Under the Undertaking. The right of any owner or beneficial owner of the Bonds to enforce the provisions of the undertaking is limited to a right to obtain specific enforcement of the District's obligations thereunder, and any failure by the District to comply with the provisions of the undertaking is not an event of default with respect to the Bonds under the Bond Resolution. For purposes of the undertaking, "beneficial owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

Continuing Disclosure Obligation of the State of Washington. See Appendix D attached hereto for a description of the State of Washington's School Bond Guarantee Program Undertaking and compliance with the State's prior undertakings under Rule 15c2-12.

Prior Compliance with Continuing Disclosure Undertakings. In the previous five years, the District had continuing disclosure undertakings in effect under Rule 15c2-12.

During the previous five years, the District (i) failed to timely file an event notice with respect to the March 15, 2021, underlying rating downgrade by Moody's Investors Service with respect to the District's outstanding unlimited tax general obligation bonds, (ii) failed to timely file certain operating data for calendar years ended December 31, 2020 through 2023, inclusive, (iii) failed to timely file the amount of proceeds of the District's Unlimited Tax General Obligation Bonds, Series 2020B (Tax-Exempt) (Social Bonds) and Unlimited Tax General Obligation Bonds, Series 2020C (Taxable) (Social Bonds) expended as of August 31 in each of 2021 and 2023, and a statement that such bond proceeds were used only for the purposes described in Resolution No. 2065 of the District and approved by the voters of the District, and (iv) did not link its audited financial statements for fiscal year ended August 31, 2023 and certain operating data for calendar year ended December 31, 2023 to CUSIPs for all of the required bonds at the time of filing such audited financial statements and operating data. The foregoing information has been filed with the MSRB's Electronic Municipal Market Access ("EMMA") portal, together with notices regarding such noncompliance, and linked to CUSIPs for all of the required bonds.

Ratings

As noted on the cover page of this Official Statement, Moody's Ratings ("Moody's") has assigned its credit enhanced rating of "Aaa" and S&P Global Ratings ("S&P") has assigned its credit enhanced rating of "AA+" to the Bonds, based upon the District's participation in the Washington State School District Credit Enhancement Program (see Appendix D). Further, Moody's has also assigned an underlying rating of "Aa3" and S&P has assigned an underlying rating of "A+" to the Bonds.

The ratings reflect only the views of each rating agency and an explanation of the significance of the ratings may be obtained from the rating agencies. There is no assurance that the ratings, will be retained for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Bonds.

Certain Investment Considerations

Limitations on Remedies. Any remedies available to the owners of the Bonds are in many respects dependent upon judicial actions, which are in turn often subject to discretion and delay and could be both expensive and time consuming to obtain. If the District fails to comply with its covenants under the Bond Resolution or to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the Bonds. In addition to the limitations on remedies contained in State law, the rights and obligations under the Bonds and the Bond Resolution may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The legal opinion of Bond Counsel, attached hereto as Appendix A, regarding the validity of the Bonds will be qualified by reference to bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium, and other similar laws affecting the rights of creditors generally, and by general principles of equity.

No Acceleration. The Bonds are not subject to acceleration upon the occurrence of a default. The District is liable for principal and interest payments only as they become due. In the event of multiple defaults in payment of principal of or interest on the Bonds, the Registered Owner of each Bond would be required to bring a separate action for each such payment not made. This could give rise to a difference in interests between Registered Owners of earlier and later maturing Bonds.

Financial Insolvency. A school district may be dissolved due to financial insolvency. State law (chapter 28A.315 RCW) outlines the process for dissolution. A financially insolvent school district is defined as one that has been on binding conditions for two consecutive years or is reasonably foreseeable and likely to have a deficit general fund balance within three years, and is unable to prepare a satisfactory financial plan. A satisfactory financial plan is a plan approved by OSPI and the Educational Service District ("ESD") within which the financially insolvent school district is located demonstrating that the district will have an adequate fund balance by the end of the plan period that relies on currently available revenue streams or revenue streams that the ESD determines are reasonably reliable.

OSPI is directed to convene a financial oversight committee ("Oversight Committee") if a district is found to be financially insolvent or at the request of a financially insolvent district. The purpose of the Oversight Committee is to review the financial condition of a financially insolvent school district, hold a public hearing, and make a recommendation to OSPI as to whether the district should be dissolved or placed under enhanced financial monitoring.

OSPI may file a petition with the appropriate regional committee to dissolve a financially insolvent school district if recommended by the Oversight Committee. The petition must specify the proposed annexation of the financially insolvent school district by one or more contiguous school districts and the disposition of assets and liabilities of the financially insolvent school district. The ESD negotiates with the identified contiguous school districts and attempts to seek agreement regarding annexation of the financially insolvent school district. The agreement must be approved by the Oversight Committee. If the school districts cannot agree, the matter is forwarded to the regional committee for a decision.

The order filed by OSPI that implements either the agreement among school districts or the decision of the regional committee must also specify that any excess tax levy approved by an annexing school district is imposed on the newly annexed territory. Before the effective date of dissolution, a school district that annexes part or all of a financially insolvent school district may submit to the voters either a levy to replace existing levies and provide for an increase due to the dissolution, or an additional levy to provide for an increase due to the dissolution. If these elections do not occur or fail, the transferred territory is relieved of any previous levy associated with the dissolved district, but subject to any previous levy associated with the annexing district. In the case of voted bonded indebtedness by a dissolved school district, the receiving or annexing school district must certify and collect a tax levy sufficient to pay the principal of and interest on such outstanding voted bonded indebtedness. The receiving or annexing school may also determine to refund all or a part of the outstanding voted bonded indebtedness. A financially insolvent school district may file for bankruptcy only if recommended by the Oversight Committee.

Bankruptcy. A municipality, such as the District, must be specifically authorized under State law in order to seek relief under Chapter 9 of the U.S. Bankruptcy Code (the "Bankruptcy Code"). Chapter 39.64 RCW, entitled the "Taxing Relief Bankruptcy Act," appears to permit any "taxing district" (defined to include any municipality or political subdivision, including school districts) to voluntarily petition for relief under the Bankruptcy Code. A creditor cannot bring an involuntary bankruptcy proceeding against a municipality, including school districts. Under Chapter 9, a federal bankruptcy court may not appoint a receiver for a municipality or order the dissolution or liquidation of the municipality. If a municipality filed for bankruptcy, the bankruptcy court would have some discretion with respect to how to treat past and future obligations of such municipality regarding priority of payment to creditors under a plan for adjustment of debt under Chapter 9 of the Bankruptcy Code.

Initiatives and Referenda

General. Under the State constitution, the voters of the State have the ability to initiate legislation and to modify existing statutes through the powers of initiative and referendum. The initiative power may not be used to amend the State Constitution. Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least eight percent (initiatives) and four percent (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. Any law approved through the power of initiative by a majority of the voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the Legislature, but thereafter is subject to amendment or repeal by the Legislature in the same manner as other laws.

Future Initiatives. Initiative petitions affecting tax collections and levy rates of State and local governments (not including the excess property taxes pledged to the repayment of the Bonds) and other matters may be filed in the future. The District cannot predict whether any such initiatives will qualify to be submitted to the voters or, if submitted, will be approved. Likewise, the District cannot predict what actions the Legislature might take, if any, regarding future initiatives approved by voters.

Legal and Underwriting

Approval of Counsel

Legal matters incident to the authorization, issuance and sale of the Bonds by the District are subject to the approving legal opinion of Bond Counsel. The form of the opinion of Bond Counsel with respect to the Bonds is attached as Appendix A. The opinion of Bond Counsel is given based on factual representations made to Bond Counsel, and under existing law, as of the date of initial delivery of the Bonds, and Bond Counsel assumes no obligation to revise or supplement its opinion to reflect any facts or circumstances that may thereafter come to its attention, or any changes in law that may thereafter occur. The opinion of Bond Counsel is an expression of its professional judgment on the matters expressly addressed in its opinion and does not constitute a guarantee of result. Bond Counsel will be compensated only upon the issuance and sale of the Bonds. Bond Counsel is also serving as disclosure counsel to the District in connection with the issuance of the Bonds.

Certain legal matters will be passed upon for the Underwriters by their special counsel, K&L Gates LLP. Any opinion of such firm will be limited in scope, will be delivered only to the Underwriters, and may not be relied upon by any other person.

Fair Campaign Practices Act

Chapter 42.17A RCW (the "Fair Campaign Practices Act") prohibits, among other things, public agencies from using public facilities to promote ballot propositions. One of the civil remedies that may be imposed by court order, if the court finds the violation of any provision of the Fair Campaign Practices Act "by any candidate or political committee probably affected the outcome of any election," is that the result of such election may be held void and a special election ordered to be held within 60 days of that finding. Any action to void an election must be commenced within one year of the date of the election in question.

RCW 42.17A.765 provides that the State Attorney General and the prosecuting authorities of political subdivisions of the State (the "Prosecuting Attorney") may bring civil actions in the name of the State for any appropriate civil remedy, including the remedy referred to in the immediately preceding paragraph. If the State Attorney General and the Prosecuting Attorney do not commence an action within a 10-day notice period that follows an initial 45-day notice period, the notifying citizen may bring an action in the name of the State to enforce the remedy.

The election in the District that authorized the Bonds was held on February 13, 2024. No proceedings have been instituted nor demands made upon the appropriate officials to institute any action to void the election under the Fair Campaign Practices Act, nor are any threats thereof known to any of the District's officials.

Litigation

There is no litigation pending or threatened questioning the validity of the Bonds nor the power and authority of the District to issue the Bonds. There is no litigation pending or threatened that would materially affect the finances of the District or affect the District's ability to meet debt service requirements on the Bonds.

The District is a party to lawsuits in its normal course of business, but the District does not believe any of such litigation will have a significant adverse impact upon the financial condition of the District, or would affect the issuance and delivery of the Bonds, or the power and authority of the District to issue the Bonds.

Underwriting

The Bonds are being purchased from the District by RBC Capital Markets, LLC, on behalf of itself and Raymond James and Associates (together, the "Underwriters") at an aggregate purchase price of $____________ (the principal amount of the Bonds, less underwriters' discount of $___________, and plus original issue premium of $__________). The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices set forth on the inside cover hereof, and such initial offering prices may be changed from time to time by the Underwriters. After the initial public offering, the public offering prices may be varied from time to time.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

Other Considerations

Seismic Risk

The District is located in the seismically-active Puget Sound region, which features a number of active faults and lies along the Cascadia subduction zone—a 700-mile fault beneath the Pacific Ocean. In addition to frequent minor earthquakes, the Puget Sound region has experienced several major earthquakes in the past 50 years. These include a magnitude 6.8 earthquake in 2001 that reportedly caused more than $2 billion in damage. The largest known earthquake in the region occurred in approximately 1700, with an estimated magnitude of 9.0. The Pacific Northwest Seismic Network estimates that an earthquake of this magnitude occurs in the region every 400 to 600 years; such an earthquake could cause extensive and even catastrophic damage within the District.

In June 2018, the Washington Geological Survey ("WGS"), in cooperation with OSPI, began the School Seismic Safety Project ("SSSP"), a multiphase, statewide effort to evaluate State school buildings for seismic performance. The purpose of SSSP was to assess the seismic safety of permanent, public, K–12 school buildings in the State, based on local geology and the engineering and construction of the buildings.

On June 30, 2021, SSSP released a report that summarized the seismic risk at 561 school buildings across the State and 22 of the District's facilities were identified. For those facilities that were named, the report provided recommendations and suggested further studies to, among other things, evaluate the feasibility and cost benefit of increasing the seismic performance for the design of new school buildings to enhance the seismic resilience of communities. It is unclear what steps, if any, the Legislature will take to address the SSSP findings.

Tsunami, Volcanic Activity, Wildfire and Other Natural Risks

A major earthquake in the Puget Sound region, along the Washington coast or elsewhere in the Pacific could result in a tsunami, which could reach and inundate portions of the District. Another natural hazard facing residents of the County is volcanic activity from Mt. Rainier. The County uses the All Hazards Alert Broadcast siren for its outdoor warning system; however a large tsunami or volcanic activity could nevertheless result in significant and extensive damage to the District, with sustained impacts to its people, economy, property, and infrastructure.

The Western United States, including the State, has also recently experienced an increase in major wildland fires causing extensive damage in certain areas and diminishing air quality. Other natural disasters, such as landslides, winter storms, windstorms, flooding, and extreme heat are also possible in the region, and could impact the District. Climate change may intensify and increase the frequency of certain natural disasters and extreme weather events, such as drought, wildfires, floods and heatwaves. *See* "—Climate Change; Sustainability" below.

The loss of life and property damage that could result from a natural disaster or extreme weather event could have a material and adverse impact on the District. The District can give no assurance that the District's insurance reserves or proceeds of insurance carried by the District, if any, would be sufficient, if available, to rebuild and reopen District facilities, or that District facilities or surrounding facilities and infrastructure could or would be rebuilt and reopened in a timely manner following a major disaster.

Climate Change; Sustainability

Long-term changes in climate and in the frequency, timing, and severity of extreme weather events pose risks to the District. Anticipated climate change impacts include more intense heavy rain events and summer heat events, lower and warmer summer stream flows, and an increased risk of flooding, drought, landslides, and wildfires. While the District cannot predict precisely how, when, and where specific climate impacts will occur, there have been and will be climate impacts on the District and the surrounding region, which may have a material impact on the District and its operations and finances.

The Board has recognized that sustainability should be an integral part of the physical operations of its buildings and should be used as an educational tool. In recognition of this leadership responsibility, the Board has adopted a policy stating that the District will strive to: (a) reduce the use of electricity, natural gas, water and fuel; (b) encourage recycling; (c) adopt and implement conservation standards for operations, maintenance and construction; and (d) educate all staff and students about sustainability and how to conserve District resources. The policy authorizes the Superintendent, or designee, to authorize and establish sustainability program guidelines and provide periodic reports to the Board as requested.

Public Health

The District has provided information in this Official Statement to describe how the COVID-19 pandemic impacted the District's finances and operations, and to describe actions the District took in response to these developments. *See* "Financial Factors – Response to COVID-19 Pandemic." Given trends in globalization, additional pandemics and other public health emergencies may occur with greater frequency and intensity in the future.

On May 7, 2020, the State filed a voluntary notice regarding the estimated and anticipated fiscal impacts of the COVID-19 outbreak on the State General Fund, Education Legacy Trust Account, and Opportunity Pathways Account, all of which include resources that support K-12 education. This filing is available on EMMA. Such notice speaks only as of its date, and neither the State nor the District is required to provide further updates except as otherwise required by their respective continuing disclosure undertakings. *See* "Continuing Disclosure."

Cybersecurity

The District has provided information in this Official Statement describing how cybersecurity impacts the District's finances and operations. The District occasionally encounters minor cybersecurity incidents, such as device theft, malware infection and credential compromise, which cause small-scale interruptions primarily affecting individuals. Responding to these incidents may draw District resources away from other work, thereby resulting in modest operational impacts. By contrast, a major cybersecurity breach could cause damage to District systems, material disruption to operations and services, data loss, exposure of protected/sensitive data, and/or result in stolen funds. The District has cybersecurity systems in place and has not had any material cybersecurity incidents. *See* "The District – Risk Management – *Cyber Liability Insurance*."

Conflicts of Interest

All or a portion of the fees of the Financial Advisor, Underwriters and Bond Counsel are contingent upon the issuance and sale of the Bonds. In addition, Bond Counsel from time to time serves as counsel to RBC Capital Markets, LLC, with respect to bonds issued by issuers other than the District. Bond Counsel serves as bond counsel to the State, including with respect to the Washington State School District Credit Enhancement Program. None of the Board of Directors or other officers of the District have any conflict of interest in the issuance of the Bonds that is prohibited by applicable law.

Moreover, the District is not aware of the existence of any actual or potential conflict of interests, breach of duty or less than arm's-length transaction regarding the selection of the Underwriters, Financial Advisor, Bond Counsel and other participants in the offering of the Bonds. Further, the District is not aware of any undisclosed payments to obtain underwriting assignments and undisclosed agreements or arrangements, including fee splitting, between the Underwriters and other participants in the offering of the Bonds.

Financial Advisor

PFM Financial Advisors LLC has served as Financial Advisor to the District in preparing the Bonds for sale, timing the sale, and other aspects of issuing the Bonds. The Financial Advisor has not audited, authenticated, or otherwise verified the information set forth in this Official Statement or other information provided relating to the Bonds. The Financial Advisor makes no guaranty, warranty, or other representation on any matter related to the information contained in the Official Statement. The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, marketing, trading, or distributing municipal securities.

Official Statement

This Preliminary Official Statement has been "deemed final" by the District as of its date pursuant to Rule 15c2-12.

Concluding Statement

The information contained herein should not be construed as representing all conditions affecting the District or the Bonds. Additional information may be obtained from the District. The statements relating to the Bond Resolution are in summarized form, and in all respects are subject to and qualified in their entirety by express reference to the provisions of the Bond Resolution in its complete form.

The information assembled herein is not to be construed as a contract with owners of the Bonds.

Appendix A

Form of Bond Counsel Opinion

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Foster Garvey

FORM OF BOND COUNSEL OPINION

October __, 2024

Tacoma School District No. 10, Pierce County, Washington

Re: Tacoma School District No. 10, Pierce County, Washington
$___________ Unlimited Tax General Obligation Bonds, 2024

We have served as bond counsel to Tacoma School District No. 10, Pierce County, Washington (the "District"), in connection with the issuance of the above-referenced bonds (the "Bonds"), and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion, we have relied upon representations contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

The Bonds are issued by the District pursuant to Resolution No. 2146 (the "Bond Resolution") for capital purposes only, being the Projects specified in the Bond Resolution, which shall not include the replacement of equipment, pursuant to the election authorizing the Bonds and under and in accordance with the Constitution and laws of the State of Washington. Reference is made to the Bonds and the Bond Resolution for the definitions of capitalized terms used and not otherwise defined herein.

We express no opinion herein concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the Bonds or otherwise used in connection with the Bonds.

Under the Internal Revenue Code of 1986, as amended (the "Code"), the District is required to comply with certain requirements after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the Bonds. The District has covenanted in the Bond Resolution to comply with those requirements, but if the District fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. We have not undertaken and do not undertake to monitor the District's compliance with such requirements.

Based upon the foregoing, as of the date of initial delivery of the Bonds to the purchaser thereof and full payment therefor, it is our opinion that under existing law:

1. the Bonds have been duly authorized and executed by the District and are issued in full compliance with the provisions of the Constitution and laws of the State of Washington and the resolutions of the District relating thereto;

2. the Bonds constitute valid and binding general obligations of the District payable from annual *ad valorem* taxes to be levied without limitation as to rate or amount on all of the taxable property within the District, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and by the application of equitable principles and the exercise of judicial discretion in appropriate cases; and

3. assuming compliance by the District after the date of issuance of the Bonds with applicable requirements of the Code, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals; however, interest on the Bonds will be taken into account in determining adjusted financial statement income that may be subject to the alternative minimum tax applicable to certain corporations, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. We express no opinion regarding any other federal tax consequences of receipt of interest on the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

Appendix B

Book-Entry Transfer System

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The Depository Trust Company

A subsidiary of The Depository Trust & Clearing Corporation

Sample Offering Document Language Describing DTC and Book-Entry-Only Issuance

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

DTCC

Securing Today. Shaping Tomorrow.℠

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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Appendix C

Financial Statements

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Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Tacoma School District No. 10

For the period September 1, 2022 through August 31, 2023

Published May 23, 2024

Report No. 1034879

Office of the Washington State Auditor
Pat McCarthy

May 23, 2024

Board of Directors
Tacoma School District No. 10
Tacoma, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Tacoma School District No. 10's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the District's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Tacoma School District No. 10
September 1, 2022 through August 31, 2023

SECTION I – SUMMARY OF AUDITOR'S RESULTS

The results of our audit of Tacoma School District No. 10 are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the District.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the District's compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

ALN	Program or Cluster Title
10.553	Child Nutrition Cluster - School Breakfast Program
10.555	Child Nutrition Cluster - National School Lunch Program
84.010	Title I Grants to Local Educational Agencies
84.425	Education Stabilization Fund

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was $2,480,332.

The District did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

TACOMA PUBLIC SCHOOLS

Superintendent's Office
Joshua J. Garcia, Ed.D., Superintendent
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tacomaschools.org

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Tacoma School District No. 10
September 1, 2022 through August 31, 2023

This schedule presents the status of findings reported in prior audit periods.

<table>
<tr><td>Audit Period:
9/1/2021-8/31/2022</td><td>Report Ref. No.:
1032963</td><td>Finding Ref. No.:
2022-001</td><td>Assistance Listing Number(s):
10.553/10.555/10.559</td></tr>
<tr><td colspan="2">Federal Program Name and Granting Agency:
U.S. Department of Agriculture</td><td colspan="2">Pass-Through Agency Name:
Office of the Superintendent of Public Instruction</td></tr>
<tr><td colspan="4">Finding Caption:
The District did not have adequate internal controls for ensuring compliance with federal suspension and debarment requirements.</td></tr>
<tr><td colspan="4">Background:
Federal requirements prohibit grant recipients from contracting with parties suspended or debarred from doing business with the federal government. Whenever the District contracts for goods or services that it expects to equal or exceed $25,000, paid all or in part with federal funds, it must verify that contractors have not been suspended or debarred or otherwise excluded. This verification may be accomplished by obtaining a written certification from the contractor, inserting a clause or condition into the contract that states the contractor is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration’s System for Award Management at SAM.gov. The District must meet this requirement before entering into the contract or paying the contractor more than $25,000, and it must maintain documentation to demonstrate compliance.
Our audit found the District’s internal controls were inadequate for ensuring it verified that a contractor was not suspended or debarred from participating in federal programs.</td></tr>
<tr><td colspan="4">Status of Corrective Action: (check one)</td></tr>
<tr><td>☒ Fully Corrected</td><td>☐ Partially Corrected</td><td>☐ Not Corrected</td><td>☐ Finding is considered no longer valid</td></tr>
<tr><td colspan="4">Corrective Action Taken:
The District has included the SAM.gov check on all purchases made using Federal funds on a purchase order (PO). Supporting documentation is retained in a folder by Year and PO. This verification occurs prior to any payment being made. The District is also works to have POs signed by vendors/contractors indicating their non-suspended and non-debarred status, affirming their eligibility to participate in the procurement process.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Tacoma School District No. 10
September 1, 2022 through August 31, 2023

Board of Directors
Tacoma School District No. 10
Tacoma, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tacoma School District No. 10, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 15, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the basic financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

May 15, 2024

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Tacoma School District No. 10
September 1, 2022 through August 31, 2023

Board of Directors
Tacoma School District No. 10
Tacoma, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of Tacoma School District No. 10, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2023. The District's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States*;* and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed; and

- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy, State Auditor

Olympia, WA

May 15, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Tacoma School District No. 10
September 1, 2022 through August 31, 2023

Board of Directors
Tacoma School District No. 10
Tacoma, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tacoma School District No. 10, as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Tacoma School District No. 10, as of August 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2023, the District adopted new accounting guidance, Governmental Accounting Standards Board *Statement No. 96, Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

May 15, 2024

FINANCIAL SECTION

Tacoma School District No. 10
September 1, 2022 through August 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Tacoma School District's financial performance provides an overview of the district's financial activities for the fiscal year ended August 31, 2023. We encourage readers to consider the information presented here in conjunction with additional information presented in the financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The district's total net position for governmental activities as of August 31, 2023, was $504.1M, an increase of $34.6M from 2021-22.
- During the year, the district had revenues of $660.5M and expenses of $625.9M incurred for all governmental activities, resulting in a corresponding increase in the district's net position by $34.6M.
- The district's governmental funds reported a combined ending fund balance of $411.2M; a decrease of $98.5M from the prior year. The general fund's total fund balance was $17.2M; a decrease of $27.1M from the previous year. The district ended the year with a negative unassigned fund balance of $4.2M. $14.3M of fund balance is unassigned for minimum fund balance policy and approximately $13.7M in assigned fund balance is available for spending at the district's discretion
- The district received $16.9M more in state apportionment funds, as compared to the prior year. The district also continued to utilize remaining Coronavirus Response and Relief Supplemental Appropriations (CRRSA) also known as ESSER II of $19.2M Funds and $9.9M of Elementary and Secondary School Emergency Relief (ESSER III-ARP) funds, to address the impact of the coronavirus pandemic on students.

USING THE ANNUAL COMPREHENSIVE FINANCIAL REPORT

This report consists of three parts: an introductory section, a financial section, and a statistical section. The financial section contains the independent auditor's report, management's discussion and analysis, the basic financial statements, and related notes to the financial statements.

The basic financial statements consist of a series of statements that present different views of the district:

- The first two statements *(statement of net position and statement of activities) are district-wide financial statements* that provide both short-term and long-term information about the district's overall financial status as a whole.
- The *governmental fund financial statements* focus on *individual* parts of the district and report the district's operations in more detail than the district-wide statements. These governmental fund statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- The remaining statements provide financial information about activities for which the district acts solely as a trustee for the benefit of those outside of the district.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of fund activity to the district's budget for the year, the OPEB schedule of funding progress, the district's proportional share of the net pension liability or asset, and the district's schedule of pension contributions.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

Our analysis of the district as a whole begins in the *government-wide financial statement* section. Is the district as a whole better or worse as a result of the year's financial activities? The *statement of net position* and the *statement of activities* report information about the district as a whole and about its activities in a way that helps answer this question. The financial statements of the district present an increase in financial position from the prior year as reflected in the *statement of net position*.

These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash was received or paid.

These statements report the district's net position and changes in them. The district's net position (the difference between assets/deferred outflows and liabilities/deferred inflows) may be viewed as one way to measure the district's financial health, or financial position. Over time, increases or decreases in the district's net position are one indicator of whether its financial health is improving or deteriorating. One should consider other non-financial factors however, such as changes in the district's property tax base and the student enrollment to assess the overall health of the district.

In the *statement of net position* and the *statement of activities*, governmental activities are presented. The district's basic services, including the general, associated student body, debt service, and capital projects funds are reported here.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Governmental funds – Presented in the Governmental Fund Financial Statement section of this report, focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the district's general education and support operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliations on Schedule 3A and Schedule 4A of the basic financial statements and in Note 11 of the notes to the financial statements.

Fiduciary Funds – These funds consist of private purpose trust funds which the district must use for the benefit of individuals, private organizations, scholarships, and other specific private purposes. The district is responsible for ensuring the assets reported in these funds are used for their intended purpose. Fiduciary fund activities are excluded from the district's financial statements as a whole because the district is not able to use these assets to finance its
operations.

THE DISTRICT AS A WHOLE

Government-Wide Financial Statements

Net position may serve as a useful indicator of a government's financial position. The Tacoma School District's assets and deferred outflows exceeded liabilities and deferred inflows by $504.1M at the end of the fiscal year, August 31, 2023.

The district reported a total deferred outflow of resources of $124.9M as of August 31, 2023, compared to $132.9M the prior year. Deferred inflows of resources, on the other hand, increased by $55.8M, or 63.8%. This increase was due primarily to changes related to other post-employment benefits.

The ratio of liabilities and deferred inflows of resources to assets and deferred outflows of resources is 73 percent. The value of the district's capital assets (i.e. land, buildings, and equipment) net of depreciation was $1,211.2M. The net investment in capital assets is the historical cost of capital assets, net of accumulated depreciation, plus capital-related deferred outflows of resources, less capital related borrowing (bonded debt incurred to acquire the capital assets), accounts and retainage payables, and deferred inflows of resources related to capital assets. This value represents the largest portion of net position at $558.8M. The substantial investment in capital assets represents the district's history of building and modernizing its schools in accordance with its long-term mission of providing academic excellence in safe and healthy facilities. These assets are not available for future spending and the debt associated with these assets will be paid from levied property taxes (authorized by the voters in 2013 and 2020).

Total liabilities of $1,241.4M have decreased as compared to the prior year by approximately $166.7M. The decrease in liabilities is due to a reduction in long-term liabilities of $153.0M, of which the largest portions are other post-employment benefits (net decrease of $88.8M) and payments on outstanding bonds of $42.4M.

Restricted net position total of $179.3M are resources subject to external restrictions on how they may be used. They consist of funds that have constraints imposed by law through enabling legislation (Capital, Transportation Vehicle, and ASB Funds), externally imposed debt covenants (Debt Service Fund), externally imposed pension assets, and external contractual impositions of grantors and regulations of other governments upon state and federal grant funds (Carryover Restricted Revenues for Education and Operations).

The unrestricted portion of net position is any portion not already classified as either net investment in capital assets or restricted. The unrestricted portion represents resources that may be considered available to finance normal district government activities without external constraints imposed by law though constitutional provisions or enabling legislation, laws and regulations of other governments; or constraints established by debt covenants. It is possible for a negative unrestricted net position to exist where liabilities, deferred inflows of resources, net investment in capital assets, and other restricted portions exceed assets and deferred inflows of resources.

Tacoma School District's Net Position

Governmental Activities - As of August 31

	2023	2022	Changes
ASSETS & DEFERRED OUTFLOWS OF RESOURCES			
Current and Other Assets	$ 543,942,128	$ 652,190,172	$ (108,248,044)
Net Leased Assets	1,066,872	434,462	632,409
Net Pension Assets	7,600,532	14,038,837	(6,438,305)
Capital Assets	1,211,216,471	1,165,359,351	45,857,120
Total Assets	**1,763,826,002**	**1,832,022,823**	**(68,196,820)**
Total Deferred Outflows	**124,858,433**	**132,943,393**	**(8,084,959)**
LIABILITIES & DEFERRED INFLOWS OF RESOURCES			
Long-Term Liabilities	1,120,822,108	1,282,061,549	161,239,442
Other Liabilities	120,624,454	126,059,915	5,435,461
Total Liabilities	**1,241,446,562**	**1,408,121,464**	**166,674,903**
Total Deferred Inflows	**143,118,944**	**87,347,781**	**(55,771,163)**
NET POSITION			
Net Investment in Capital Assets	558,839,878	536,282,784	22,557,094
Restricted	179,326,544	157,420,428	21,906,115
Unrestricted	(234,047,492)	(224,206,243)	(9,841,249)
TOTAL NET POSITION	**$ 504,118,930**	**$ 469,496,970**	**$ 34,621,960**

Governmental Activities

The 2022-23 revenues of $660.5M exceeded expenses by $34.6M resulting in an increase in net position. Total revenues increased by $57.2M, and overall expenses increased by $42.0M. Increases in revenues received from state apportionment funds contributed to the increase in net position.

Revenue increases were also evident in general revenues, including property taxes (increase of $5.6M) and interest and investment earnings (increase of $16.8M). Decreases in both operating and capital grants and contributions are due to the winding down of COVID assistance funds.

Increases in program expenses appeared across the district but were most evident in regular instruction ($20.0M) and support services ($13.4M). Certificated employees received a 7.5 percent salary increase, per contract, making up the largest portion of the increase. The districtwide increases were most notable in purchased services, including utilities and property and liability insurance.

Governmental Activities Changes in Net Position

Primary Government - As of August 31

	2023	2022	Changes
REVENUES			
Program Revenues:			
Charges for Services	$ 9,566,481	$ 7,986,699	$ 1,579,782
Operating Grants and Contributions	168,617,781	173,440,756	(4,822,976)
Capital Grants and Contributions	2,533,948	8,895,001	(6,361,053)
General Revenues:			
Property Taxes	175,174,621	169,543,325	5,631,296
Interest and Investment Earnings	19,869,017	3,052,998	16,816,019
Unallocated Revenues	284,736,138	240,387,828	44,348,310
TOTAL REVENUES	**660,497,985**	**603,306,607**	**57,191,378**
PROGRAM EXPENSES:			
Regular Instruction	317,804,588	297,808,968	19,995,620
Federal Special Purpose Funding	27,542,883	23,340,725	4,202,158
Special Instruction	72,292,805	63,240,672	9,052,133
Career & Technical Instruction	18,605,568	19,482,358	(876,790)
Compensatory Instruction	46,028,626	48,408,247	(2,379,621)
Other Instructional Programs	3,063,741	2,635,766	427,974
Community Services	5,984,360	6,035,034	(50,674)
Support Services	109,274,948	95,891,454	13,383,494
Extracurricular Activities	1,438,356	987,108	451,249
Debt Payment	23,840,151	26,059,663	(2,219,512)
TOTAL EXPENSES	**625,876,026**	**583,889,994**	**41,986,031**
INCREASE (DECREASE) IN NET POSITION	**34,621,960**	**19,416,612**	**15,205,347**
NET POSITION - 9/1	**469,496,970**	**450,080,358**	19,416,612
NET POSITION - 8/31	**$ 504,118,930**	**$ 469,496,970**	**$ 34,621,960**

The following table presents the cost of each of the district's largest programs – regular instruction, special instruction, career & technical instruction, compensatory instruction, other instructional programs, and support services - as well as each program's net cost (total cost less revenues generated by the activities). The Net Cost of Services column shows the financial impact by each of these functions.

Governmental Activities	Total Cost of Services 2022-23	Total Cost of Services 2021-22	Net Cost of Services 2022-23	Net Cost of Services 2021-22
Regular Instruction	$ 317,804,588	$ 297,808,968	$ (314,482,784)	$ (295,208,134)
Federal Special Purpose Funding	27,542,883	23,340,725	1,900,360	7,891,924
Special Instruction	72,292,805	63,240,672	(12,009,043)	(11,052,908)
Career & Tech Instruction	18,605,568	19,482,358	(18,382,559)	149,430
Compensatory Instruction	46,028,626	48,408,247	1,674,057	(1,577,438)
Other Instructional Programs	3,063,741	2,635,766	(500,261)	299,490
Community Services	5,984,360	6,035,034	(3,044,454)	(3,002,181)
Support Services	109,274,948	95,891,454	(76,550,547)	(65,082,210)
Extracurricular Activities	1,438,356	987,108	77,565	74,151
Debt payments	23,840,151	26,059,663	(23,840,151)	(26,059,663)
TOTALS	**$ 625,876,026**	**$ 583,889,994**	**$ (445,157,816)**	**$ (393,567,538)**

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The focus of the district's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Thus, unassigned fund balance may serve as a useful measure of the district's net resources available for spending at the end of the fiscal year.

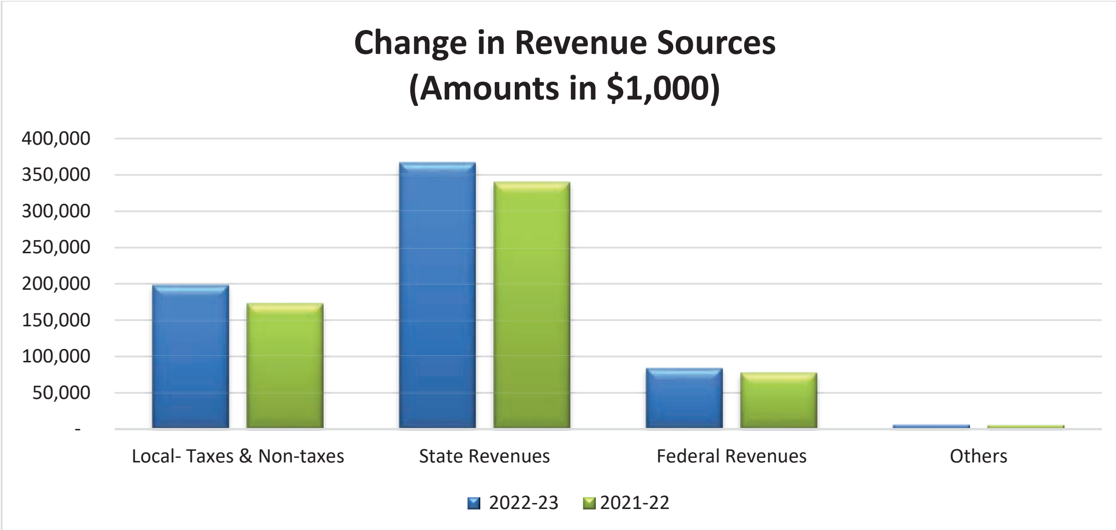
As the district completed the fiscal year, its governmental funds (as presented in the balance sheets under the governmental financial statement section) reported a combined fund balance of $411.2M, a decrease of $98.5M from the prior year. This change is the result of the following factors:

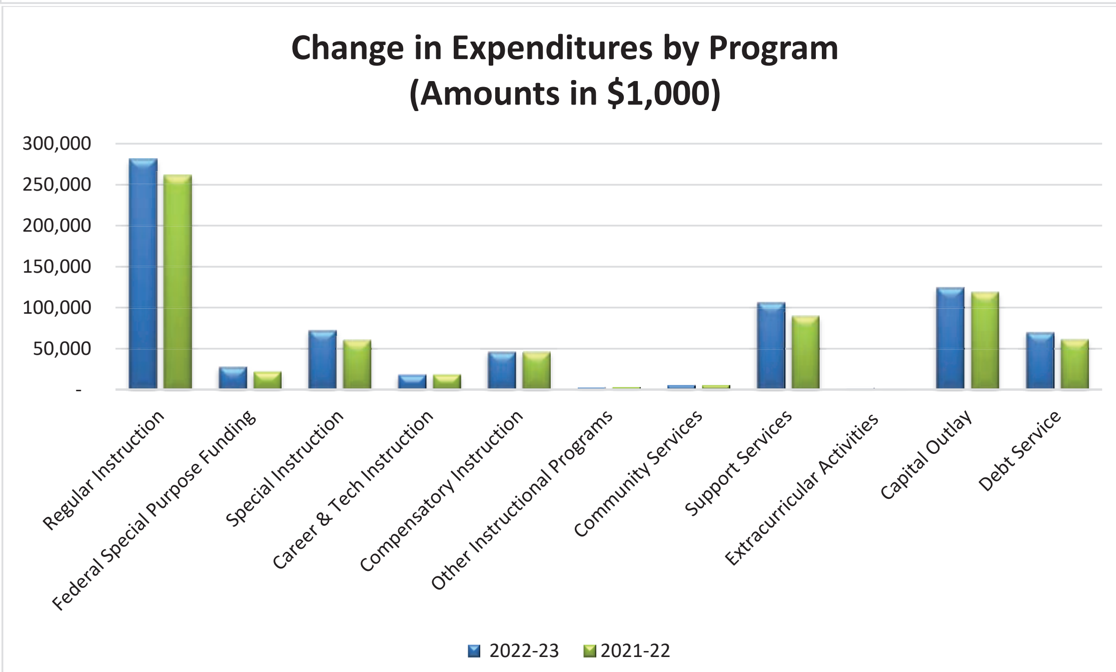
- The fund balance in the General Fund decreased by $27.2M. The district planned for its fund balance to decrease by $27.1M to encompass changes due to labor increases (salaries and benefits), levy reductions, depletion of COVID related federal funding, carryover of specific-use funds, and curriculum needs. Spending on supplies, materials, and purchased services increased $17.3M from the prior year but came in under budget by just over $32M. Of fund balance, 44.6% is in the nonspendable, committed, or restricted categories; leaving the unassigned fund balance at a negative $4.2M.
- The fund balance in the Special Revenue Fund (ASB) increased by $181K. A majority of schools, particularly high schools, saw increases in activity in their ASB funds in 2022-23 as fundraising activities continued to grow in the post-pandemic period.
- The fund balance in the Debt Service Fund increased by $3.0M from the prior year. The expenditure amounts are set by the payment schedules on the district's outstanding bonds. Revenues are generated by setting an annual property tax rate at a level which will generate enough funds to repay the debt. The district's cash flow projections indicate this reserve is adequate to meet future needs.
- The fund balance in the Capital Projects Fund decreased by $75.0M. The district issued bonds in February 2020 under the $535M voter approved construction bond. The fund balance from the bond sale will decrease year over year for the replacement or renovation of 8 aging schools. Virtually all the fund balance is in restricted categories.
- The fund balance in the Transportation Vehicle Fund increased by $467K. Funding for buses is provided from the state through its bus depreciation schedule and interest earnings. Six busses were purchased in 2022-23.

The following table presents a summary of the governmental fund's revenues and expenditures for 2022-23 and the amounts and percentages of increases and decreases in relation to the prior year.

Changes in Revenues and Expenditures
Governmental Funds

	2022-23	Percent of Total	Increase (Decrease) Over 2021-22	Percent Increase (Decrease)
Revenue Source				
Local- Taxes & Non-taxes	198,573,620	30.29%	25,483,806	14.72%
State Revenues	366,946,916	55.98%	26,843,910	7.89%
Federal Revenues	83,732,030	12.77%	6,240,223	8.05%
Others	6,263,705	0.96%	762,556	13.86%
Total	655,516,272	100.00%	59,330,495	9.95%
Expenditures				
Regular Instruction	281,437,422	37.18%	19,743,537	7.54%
Federal Special Purpose Funding	27,570,039	3.64%	5,155,501	23.00%
Special Instruction	72,363,184	9.56%	11,632,488	19.15%
Career & Tech Instruction	18,391,662	2.43%	(135,551)	-0.73%
Compensatory Instruction	46,035,132	6.08%	(416,713)	-0.90%
Other Instructional Programs	3,037,449	0.40%	571,225	23.16%
Community Services	5,990,260	0.79%	194,704	3.36%
Support Services	106,253,107	14.04%	16,228,368	18.03%
Extracurricular Activities	1,437,269	0.19%	451,248	45.76%
Capital Outlay	124,457,530	16.44%	5,361,696	4.50%
Debt Service	69,970,079	9.24%	8,781,489	14.35%
Total	756,943,133	100.00%	$67,567,993	9.80%





General Fund Budgetary Highlights

Appropriations are a prerequisite to expenditures in the governmental funds. Appropriations lapse at the end of the fiscal year. The Board may adopt a revised or supplemental budget appropriation after a public hearing anytime during the fiscal year. There were no budget revisions during 2022-23. The general fund's beginning fund balance in 2022-23 was $44.3M as reported in the Required Supplemental Information, Schedule A-1.

Revenues were $38.0M under budget, and expenditures were $34.1M under budget. Washington State statutes establish expenditure budgets as absolute expenditure limits, encouraging contingency budgeting.

Property tax revenues came in close to budget, and local non-tax collections were $1.1M over the prior year – this reflects the legislative changes in local voter-approved levy capacity. The district received $263.7M in general state apportionment revenues in 2022-23, an increase of $16.0M. Federal revenues from grant sources were $1.3M less than the prior year, as pandemic specific funding begins to exhaust.

Expenditures in the general fund were $34.1M less than budgeted although spending in most program categories were higher than the prior year. Certificated and classified salaries came in $372K under budget, but benefits were overspent by $2.2M. Supply and material expenditures were $24.5M under budget. Purchased services were $11.7M under budget, while capital outlay was over by $453K. Travel increased by approximately 60% compared to the prior year yet came in under budget for 2022-23.

Other financing sources were $3.9M more than budget. The district had budgeted and transferred $3M from the capital projects fund to the general fund for district-wide technology software licenses as directed under state statute.

CAPITAL ASSET AND DEBT ADMINISRATION

Capital Assets

At the end of the fiscal year 2022-23, the district had $1,211.2M invested in a broad range of capital assets, including technology equipment and school buildings. This amount represents a net increase (including additions and deletions) of $45.9M over last year.

Capital Assets
As of August 31, 2023

Asset Type	Historical Cost	Accumulated Depreciation	Net
Land	$ 44,973,539	$ -	$ 44,973,539
Building and Improvements	1,548,431,061	(478,854,582)	1,069,576,479
Equipment	49,223,407	(41,048,631)	8,174,775
Construction-in-Progress	88,491,677	-	88,491,677
Total	**$ 1,731,119,684**	**$ (519,903,213)**	**$ 1,211,216,470**

Work was completed for two elementary schools (Downing and Skyline), which increased the building and improvements category over the prior year. Additional information can be found in the Notes to the Financial Statements, Note 4.

Construction in Progress - Changes from Prior Year:	
School Projects	$ (30,786,379)
District-wide Projects	17,750,263
	$ (13,036,116)

The district's 2022-23 fiscal year budget for capital projects fund expenditures was set at $140.7M.

Both Downing and Skyline Elementary celebrated their first day of school in their new buildings in September 2022. Planning and construction continued for Fawcett Elementary School in 2022-23 and Bryant Elementary School began construction, with an anticipated completion date in the fall of 2024. These projects and others are financed through the 2013 ($500M) and 2020 ($535M) capital bonds approved by voters. Additional information on capital assets is included in the Notes to the Financial Statements, Note 5.

The district maintains a fleet of yellow buses to serve its Special Education routes, and these buses are purchased from the Transportation Vehicle Fund. In 2000, the district began a long-term bus replacement plan which was meant to be self-supporting using state bus depreciation payments.

In 2021-22, the district received $998K in bus depreciation payments from the state. The district purchased six buses in 2022-23 on its bus replacement plan to keep its fleet of yellow buses current at a total cost of $657K.

Debt

At year end, the district owed $897.0M in outstanding bonds, versus $939.4M last year – a decrease of $42.4M. In addition, the district has an ending balance of $189K in long-term leases related to space rental for the Tacoma School of the Arts and district-wide copiers and $469K in long-term subscription obligations related to information technology arrangements.

This debt is secured by a pledge of the full faith and credit of the district. The district's rating from Moody's is Aa3 and Standard and Poor's rating of AA has remained unchanged since 2013. Additionally, the district uses the State School Bond Guarantee Program, which enhances our ratings to Aa1/AA+ at a nominal fee to the district. More detailed information on the district's debt can be found in Note 7 of the notes to the financial statements.

Outstanding Debt

Governmental Activities	2022-23	2021-22	Increase/(Decrease)	
2012 Refunding of '03,05,05A UTGOs	$ 24,205,000	$ 35,000,000	$ (10,795,000)	-30.84%
2014 UTGO (Refunded)	6,240,000	6,240,000	-	0.00%
2015 UTGO (Refunded)	65,985,000	69,805,000	(3,820,000)	-5.47%
2020 Refunding of '14, '15 UTGOs	354,955,000	360,495,000	(5,540,000)	-1.54%
2020-B UTGO	249,280,000	249,280,000	-	0.00%
2020-C UTGO	196,290,000	218,540,000	(22,250,000)	-10.18%
Total	**$ 896,955,000**	**$ 939,360,000**	**$ (42,405,000)**	-4.51%

NEXT YEAR'S BUDGET AND RATES

The district's 2023-24 expenditure budgets for governmental funds were set at $786.2M. The 2023 property tax rate decreased from $4.36 (2022) to $3.87 (2023) per thousand dollars of assessed value for the amounts collected in the general fund, capital projects fund, and debt service fund. Total assessed value increased by 16.7 percent between 2022 and 2023, with projected assessed valuation of $39.1B over the calendar year. Property values continue to increase in 2023, and it is expected the assessed values for the area to increase approximately 9 percent in 2023.

ECONOMIC FACTORS

The district serves the City of Tacoma and small outlying areas in Pierce County. The end of COVID stimulus packages brought in a larger labor force and demand for workers in 2022 leading to an unemployment rate at 5 percent, reminiscent of pre-pandemic times. The Pierce County Economic Index (PCEI) ended 12 years of gains in 202, falling 5.2 percent for the year. However, forecasts for 2023 show a modest increase of 1.8 percent is expected.

Pierce County's labor force ad number of employed residents grew 1.8 percent and 2.5 percent, respectively, in 2023. These gains pushed the unemployment rate down to 4.5 percent for 2023. Nonfarm employment was 2.5 percent higher in 2023, education and health services (up 5,500) saw the largest gains, followed by the construction sector (up 1,400). The forecast for 2024 calls for no overall growth in employment, with some sectors gaining and other losing jobs.

In 2023, personal income was estimated to have risen 2.3 percent, with real personal income per capita at $63,171, a 1.2 percent increase. For 2024, total income is forecast to grow 2.5 percent, with per capital income expected to increase by 1.4 percent.

Rising mortgage rates have continued to negatively impact the housing market. The Housing Activity index fell to 72.3 after starting 2023 at 95.0 and is forecasted to end 2024 at 65.5. Higher mortgage rates have also affected Pierce County's Housing Affordability Index falling by 7.1 points in 2023 to end the year at 76.0. 2024 affordability, however, is expected to rebound and finish the year at 94.2.

Multi-family property rents were up less than one percent in nominal dollars and fell by 3.1 percent when adjusted for inflation. Vacancy rates increased in 2023 to 5.4 percent.

Multi-family property rents have decreased by 2.4 percent in 2022 compared to pre-pandemic prices. Commercial real estate rents rose $0.11 per square foot in the warehouse and distribution sectors as vacant space increased from 2.4 to 4.9 percent. Office space inventory increased in the central business district to 12.7 percent. Retail space vacancy rates were unchanged in 2023, at 2.7 percent.

The Port of Tacoma and the Port of Seattle formed the Northwest Seaport Alliance (NWSA) in August 2016 to be more competitive with other west coast ports. Since the NWSA has been formed, the combined share of west coast container traffic had started to stabilize. In 2022 however, the combined international imports and exports dropped 12.6 and 19.7 percent, respectively. 2023 saw another decrease in international imports of 13.6 percent, while imports gained a mere 1.3 percent. NWSA's container traffic is estimated to be 11.3 percent for 2023, nearly unchanged from 2022. 2024, gains are expected to be only 1.6 percent.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the funding it receives. If you have questions about this report or need additional financial information, visit or contact:

Accounting Services Manager
Tacoma School District No. 10
601 S. 8th Street
Tacoma, WA 98405

TACOMA SCHOOL DISTRICT No. 10
STATEMENT OF NET POSITION
AUGUST 31, 2023

	Note No.	PRIMARY GOVERNMENT Governmental Activities
ASSETS		
Cash and Cash Equivalents	1F	4,222,800
Cash Held by Trustees	2	596,401
Investments	2	437,488,453
Property Tax Receivable	1F	82,847,679
Receivables, Net	1F	1,426,369
Due From Other Governments	1F	11,927,615
Inventories	1F	4,607,490
Prepaid Items	1F	825,321
Leased Assets	8	184,208
Subscription Assets	9	882,663
Net Pension Assets	6A	7,600,532
Capital Assets, net of accumulated depreciation, where applicable:	4	
Land		44,973,539
Buildings & Improvements		1,069,576,480
Equipment		8,174,775
Construction-in-Progress	5	88,491,677
TOTAL ASSETS		**1,763,826,002**
DEFERRED OUTFLOW OF RESOURCES		
Refunded Bonds - Charge on Refunding	7E	15,683,609
Deferred Outflows Related to Pensions	6A	84,945,532
Deferred Outflows Related to OPEB	9F	24,229,292
TOTAL DEFERRED OUTFLOW OF RESOURCES		**124,858,433**
LIABILITIES		
Accounts Payable		40,214,066
Accrued Wages & Benefits Payable		17,510,793
Unearned Revenue		637,873
Long-Term Liabilities	7A	
Due within one year		62,261,722
Due in more than one year		1,120,822,108
TOTAL LIABILITIES		**1,241,446,562**
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Leases	8	328,999
Deferred Inflows Related to Pensions	6A	35,390,529
Deferred Inflows Related to OPEB	9F	107,399,416
TOTAL DEFERRED INFLOWS OF RESOURCES		**143,118,944**
NET POSITION		
Net Investment in Capital Assets		558,839,878
Restricted for:		
Associated Student Body		2,200,119
Capital Projects		45,002,003
Debt Service		67,527,603
State Grants		800,578
Net Pension Asset		63,796,241
Unrestricted		(234,047,492)
TOTAL NET POSITION		**504,118,930**

The notes to the basic financial statements are an integral part of this statement.

TACOMA SCHOOL DISTRICT No. 10
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

Functions/Programs	Expenses	PROGRAM REVENUES Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
PRIMARY GOVERNMENT					
Governmental Activities:					
Regular Instruction	$ 317,804,588	$ 2,184,247	$ 1,100,229	$ 37,328	(314,482,784)
Federal Special Purpose Funding	27,542,883	-	29,212,777	230,467	1,900,360
Special Instruction	72,292,805	3,479,006	56,804,757	-	(12,009,043)
Career & Technical Instruction	18,605,568	47,450	145,855	29,703	(18,382,559)
Compensatory Instruction	46,028,626	-	47,702,683	-	1,674,057
Other Instructional Programs	3,063,741	660,930	1,902,550	-	(500,261)
Community Services	5,984,360	925,644	2,014,262	-	(3,044,454)
Support Services	109,274,948	753,283	29,734,668	2,236,450	(76,550,547)
Extracurricular Activities (ASB)	1,438,356	1,515,921	-	-	77,565
Interest Payment on Long-Term Debt	23,840,151	-	-	-	(23,840,151)
TOTAL GOVERNMENTAL ACTIVITIES	**$ 625,876,026**	**$ 9,566,481**	**$ 168,617,781**	**$ 2,533,948**	**(445,157,816)**

GENERAL REVENUES:	
Taxes:	
Property taxes, levies for maintenance and operations	79,653,736
Property taxes, levies for debt service	71,147,546
Property taxes, levies for capital projects	24,373,340
Unallocated State Apportionment & Others	284,736,137
Interest and Investment earnings	19,869,017
TOTAL GENERAL REVENUES	**479,779,775**
Changes in Net Position	**34,621,959**
NET POSITION - September 1	469,496,970
NET POSITION - August 31	**504,118,929**

The notes to the basic financial statements are an integral part of this statement.

TACOMA SCHOOL DISTRICT No. 10
FUND BALANCE SHEETS
GOVERNMENTAL FUNDS
AUGUST 31, 2023

	General Fund	Special Revenue (ASB) Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Total Governmental Funds
ASSETS						
Cash on Hand and in Bank	$ 1,537,289	$ 80,171	$ 301,129	$ 2,035,869	$ 268,341	$ 4,222,800
Construction Retainage Escrow	-	-	-	596,401	-	596,401
Investments	67,022,294	2,324,664	32,309,106	332,802,743	3,029,645	437,488,453
Property Tax Receivable	36,574,571	-	34,477,565	11,795,543	-	82,847,679
Accounts Receivable, Net	1,072,563	23,278	-	-	-	1,095,841
Interfund Receivable	5,376,232	-	-	35,000,000	-	40,376,232
Leases Receivable	330,528	-	-	-	-	330,528
Due From Other Government Units	9,726,286	150	-	2,201,179	-	11,927,615
Inventories at Cost	4,607,490	-	-	-	-	4,607,490
Prepaid Items	825,321	-	-	-	-	825,321
TOTAL ASSETS	**$ 127,072,575**	**$ 2,428,263**	**$ 67,087,800**	**$ 384,431,735**	**$ 3,297,987**	**$ 584,318,360**
LIABILITIES						
Accounts Payable	$ 21,859,999	$ 108,050	$ -	$ 10,799,452	$ 267,605	$ 33,035,106
Retainage Payable	-	-	-	596,401	-	596,401
Accrued Wages & Benefits Payable	16,521,683	1,770	-	987,341	-	17,510,793
Interfund Payable	35,000,000	3,995	-	5,372,237	-	40,376,232
Unearned Revenue - Other	523,543	114,329	-	-	-	637,873
TOTAL LIABILITIES	**73,905,225**	**228,144**	**-**	**17,755,431**	**267,605**	**92,156,405**
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Property Taxes	35,595,297	-	33,554,085	11,479,763	-	80,629,145
Unavailable Revenue - Leases	328,999	-	-	-	-	328,999
TOTAL DEFERRED INFLOWS OF RESOURCES	**35,924,296**	**-**	**33,554,085**	**11,479,763**	**-**	**80,958,144**
FUND BALANCES						
Nonspendable - Inventory & Prepaid Items	5,451,547	-	-	-	-	5,451,547
Restricted for Carryover of Restricted Revenues	800,578	-	-	-	-	800,578
Restricted for Construction	-	-	-	338,268,311	-	338,268,311
Restricted for Debt Service	439,803	-	33,533,715	-	-	33,973,518
Restricted to Special Revenue Fund	-	2,200,119	-	-	3,030,381	5,230,500
Restricted for Technology	-	-	-	12,399,094	-	12,399,094
Committed to Contingencies	1,000,000	-	-	-	-	1,000,000
Assigned to Other Items	4,007,979	-	-	-	-	4,007,979
Assigned to Budget Carryover	2,282,537	-	-	-	-	2,282,537
Assigned to Future Operations	7,487,175	-	-	-	-	7,487,175
Assigned to Curriculum & Instruction	-	-	-	-	-	-
Assigned to Capital Projects Fund	-	-	-	4,529,137	-	4,529,137
Unassigned Fund Balance	(4,226,566)					(4,226,566)
TOTAL FUND BALANCES	**17,243,053**	**2,200,119**	**33,533,715**	**355,196,542**	**3,030,381**	**411,203,811**
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	**$ 127,072,575**	**$ 2,428,263**	**$ 67,087,800**	**$ 384,431,735**	**$ 3,297,987**	**$ 584,318,360**

The notes to the basic financial statements are an integral part of this statement.

TACOMA SCHOOL DISTRICT No. 10
RECONCILIATION
BALANCE SHEET/STATEMENT OF NET POSITION
AUGUST 31, 2023

	Total Governmental Funds	Long-Term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Cash on Hand and in Bank	$ 4,222,800	$ -	$ -	$ 4,222,800
Cash Held by Trustees	596,401	-	-	596,401
Investments	437,488,453	-	-	437,488,453
Property Tax Receivable	82,847,679	-	-	82,847,679
Receivables, Net	1,426,369	-	-	1,426,369
Interfund Receivable	40,376,232	-	(40,376,232)	-
Due From Other Governments	11,927,615	-	-	11,927,615
Inventories	4,607,490	-	-	4,607,490
Prepaid Items	825,321	-	-	825,321
Long-Term Assets - Leases	-	184,208	-	184,208
Long-Term Assets - SBITAs	-	882,663		882,663
Long-Term Assets - Pension	-	7,600,532	-	7,600,532
Capital Assets, Net	-	1,211,216,471	-	1,211,216,471
TOTAL ASSETS	**584,318,360**	**1,219,883,875**	**(40,376,232)**	**1,763,826,002**
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	-	15,683,609	-	15,683,609
Pension Plan Experience - Assumption Changes & Plan Contributions	-	84,945,532	-	84,945,532
OPEB Changes - Contributions and Assumptions	-	24,229,292	-	24,229,292
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**-**	**124,858,433**	**-**	**124,858,433**
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 584,318,360**	**$ 1,344,742,308**	**$ (40,376,232)**	**$ 1,888,684,435**
LIABILITIES				
Accounts Payable	$ 33,631,507	$ 6,582,559	$ -	$ 40,214,066
Wages, Benefits & Other Payables	17,510,793	-	-	17,510,793
Interfund Payable	40,376,232	-	(40,376,232)	-
Unearned Revenue - Other	637,873	-	-	637,873
Long-Term Liabilities - Pension	-	48,503,102	-	48,503,102
Long-Term Liabilities - OPEB	-	133,533,864	-	133,533,864
Long-Term Liabilities - Not Pension or OPEB	-	1,001,046,864	-	1,001,046,864
TOTAL LIABILITIES	**92,156,405**	**1,189,666,389**	**(40,376,232)**	**1,241,446,562**
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	80,629,145	(80,629,145)	-	-
Unavailable Revenue - Leases	328,999	-	-	328,999
Pension Plan Investment Earnings & Changes in Proportions	-	35,390,529	-	35,390,529
OPEB Changes - Differences and Assumptions	-	107,399,416	-	107,399,416
TOTAL DEFERRED INFLOWS OF RESOURCES	**80,958,144**	**62,160,801**	**-**	**143,118,944**
FUND BALANCES/NET POSITION				
Fund Balances/Position	411,203,811	92,915,119	0	504,118,930
TOTAL FUND BALANCES/NET POSITION	**411,203,811**	**92,915,119**	**0**	**504,118,930**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES/NET POSITION	**$ 584,318,360**	**$ 1,344,742,308**	**$ (40,376,232)**	**$ 1,888,684,435**

The notes to the basic financial statements are an integral part of this statement.

TACOMA SCHOOL DISTRICT No. 10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

	General Fund	Special Revenue (ASB) Fund	Debt Service Fund	Capital Projects Fund	Transportation Vehicle Fund	Total Governmental Funds
REVENUES						
Local	$ 82,256,530	$ 1,618,545	$ 72,141,044	$ 42,450,478	$ 107,023	$ 198,573,620
State	365,922,028	-	-	27,194	997,694	366,946,916
Federal	75,949,612	-	-	7,782,419	-	83,732,030
Other Districts/Agencies	6,263,705	-	-	-	-	6,263,705
TOTAL REVENUES	**530,391,875**	**1,618,545**	**72,141,044**	**50,260,090**	**1,104,717**	**655,516,272**
EXPENDITURES						
Current:						
Regular Instruction	281,437,422	-	-	-	-	281,437,422
Federal Special Purpose Funding	27,570,039	-	-	-	-	27,570,039
Special Instruction	72,363,184	-	-	-	-	72,363,184
Career & Technical Instruction	18,391,662	-	-	-	-	18,391,662
Compensatory Instruction	46,035,132	-	-	-	-	46,035,132
Other Instructional Programs	3,037,449	-	-	-	-	3,037,449
Community Services	5,990,260	-	-	-	-	5,990,260
Support Services	106,253,107	-	-	-	-	106,253,107
Student Activities	-	1,437,269	-	-	-	1,437,269
Debt Service:						
Principal	793,499	-	42,405,000	-	-	43,198,499
Interest and Other Charges	17,906	-	26,753,674	-	-	26,771,580
Capital Outlay:						
Other	2,533,948	-	-	121,266,379	657,203	124,457,530
TOTAL EXPENDITURES	**564,423,607**	**1,437,269**	**69,158,674**	**121,266,379**	**657,203**	**756,943,133**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**(34,031,733)**	**181,276**	**2,982,370**	**(71,006,288)**	**447,514**	**(101,426,861)**
OTHER FINANCING SOURCES (USES)						
Long Term Financing - Leases	1,359,298	-	-	-	-	1,359,298
Proceeds from Sale of Real Property	-	-	-	1,368,795	-	1,368,795
Proceeds from Sale of Surplus Equipment	173,607	-	-	-	19,302	192,909
Transfers	5,407,392	-	-	(5,407,392)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	**6,940,296**	**-**	**-**	**(4,038,597)**	**19,302**	**2,921,001**
NET CHANGE IN FUND BALANCE	**(27,091,436)**	**181,276**	**2,982,370**	**(75,044,885)**	**466,816**	**(98,505,860)**
FUND BALANCE - September 1	44,334,490	2,018,843	30,551,345	430,241,427	2,563,566	509,709,670
FUND BALANCE - August 31	**$ 17,243,053**	**$ 2,200,119**	**$ 33,533,715**	**$ 355,196,541**	**$ 3,030,381**	**$ 411,203,810**

The notes to the basic financial statements are an integral part of this statement.

TACOMA SCHOOL DISTRICT No. 10
RECONCILIATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

	Total Governmental Funds	Long-Term Revenue, Expenses	Capital Related items	Long-Term Debt Transactions	Statement of Activities Total
REVENUES AND OTHER SOURCES					
Revenues:					
Property Taxes	$ 171,754,610	$ 3,420,011	$ -	$ -	$ 175,174,621
Local Non-Taxes	26,819,009	-	-	-	26,819,009
State	366,946,916	-	-	-	366,946,916
Federal	83,732,030	-	-	-	83,732,030
Other Districts/Agencies	6,263,705	-	-	-	6,263,705
Other Sources:					
Long Term Financing - SBITAs	1,359,298	-	-	(1,359,298)	(0)
Proceeds from Sale of Real Property	1,368,795	-	-	-	1,368,795
Proceeds from Sale of Surplus Equipment	192,909	-	-	-	192,909
TOTAL REVENUES AND OTHER SOURCES	**658,437,273**	**3,420,011**	**-**	**(1,359,298)**	**660,497,986**
EXPENDITURES AND OTHER USES					
Current:					
Regular Instruction	281,437,422	(19,285,379)	34,166,990	-	296,319,032
Federal Special Purpose Funding	27,570,039	(1,889,225)	-	-	25,680,814
Special Instruction	72,363,184	(4,958,656)	837	-	67,405,365
Career & Technical Instruction	18,391,662	(1,260,281)	216,335	-	17,347,716
Compensatory Instruction	46,035,132	(3,154,538)	36,212	-	42,916,806
Other Instructional Programs	3,037,449	(208,140)	27,304	-	2,856,613
Community Services	5,990,260	(410,480)	-	-	5,579,780
Support Services	106,253,107	(7,280,949)	2,188,239	726,888	101,887,286
Student Activities	1,437,269	-	1,087	-	1,438,356
Debt Service:					
Principal	43,198,499	-	-	(43,198,499)	-
Interest and Other Charges	26,771,580	-	-	(2,931,430)	23,840,151
Capital Outlay	124,457,530	-	(82,494,125)	(1,359,298)	40,604,107
TOTAL EXPENDITURES AND OTHER USES	**756,943,133**	**(38,447,648)**	**(45,857,121)**	**(46,762,338)**	**625,876,026**
NET CHANGE FOR THE YEAR	**$ (98,505,860)**	**$ 41,867,660**	**$ 45,857,121**	**$ 45,403,040**	**$ 34,621,960**

The notes to the basic financial statements are an integral part of this statement.

TACOMA SCHOOL DISTRICT No. 10
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2023

		Private-Purpose Trusts
ASSETS		
Cash and Cash Equivalents	$	7,866
Investments at Fair Value		1,066,767
TOTAL ASSETS		**1,074,633**
LIABILITIES		
Accounts Payable		149,996
TOTAL LIABILITIES		**149,996**
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue		766
TOTAL DEFERRED INFLOWS OF RESOURCES		**766**
NET POSITION		
Held in Trust for Scholarships and Student Aid		923,871
TOTAL NET POSITION	**$**	**923,871**

The notes to the basic financial statements are an integral part of this statement.

TACOMA SCHOOL DISTRICT No. 10
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

		Private-Purpose Trusts
ADDITIONS		
Donations	$	356,916
TOTAL ADDITIONS		**356,916**
DEDUCTIONS		
Scholarships		38,570
Tuition and Fees		5,023
Supplies & Materials		241,002
Field Trips		36,307
Purchased Services		5,288
Salaries & Benefits		5,398
TOTAL DEDUCTIONS		**331,587**
CHANGE IN NET POSITION		**25,329**
NET POSITION - September 1		898,542
NET POSITION - August 31	**$**	**923,871**

The notes to the basic financial statements are an integral part of this statement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tacoma School District's financial reports, as reflected by the accompanying financial statements, conform to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the district are described below.

A. REPORTING ENTITY

The Tacoma School District is a municipal corporation organized pursuant to Title 28A *Revised Code of Washington* (RCW) for the purpose of providing public school services to students in preschool – grade 12. Oversight responsibility for the district's operations is vested with the independently elected board of directors. Management of the district is appointed by and accountable to the board of directors. Fiscal responsibility, including budget authority and the power to set fees, levy property taxes, and issue debt consistent with provisions of state statutes, also rests with the board of directors.

The Tacoma School District's financial statements include all funds and organizations that are controlled by or dependent on the district's board of directors. Control by or dependence on the district was determined based on budget adoption, taxing authority, outstanding debt secured by the general credit of the district, obligation of the district to finance any deficits that may occur, or receipt of significant subsidies from the district.

B. PRESENTATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The accounts of the district are organized on the basis of funds in governmental fund financial statements, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and how spending activities are controlled. The district's basic financial statements in this report consist of:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Overall governmental activities are reported here without displaying individual funds or fund types and display information about the district as a whole**.** The fiduciary fund is not presented in the government-wide financial statements and is presented separately in statements.

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The government-wide financial statements consist of the following:

Statement of Net Position – The Statement of Net Position reports all financial and capital resources. Capital assets (land, land improvements, building, building improvements, vehicles, and equipment) are reported at historical cost, net of accumulated depreciation.

Statement of Activities – The operations of the district are presented net of the applicable program revenues. General revenues are divided into property taxes, interest, and investment earnings. The expenses and revenues are reported as follows:

Expenses – Expenses are reported by function/program and include direct and indirect expenses. Depreciation expenses are allocated to direct expenses if they can be specifically identified with a function/program. Interest expenses may be considered direct (interest on long-term debt when borrowing is essential to the creation or continuing existence of a program) or indirect expenses (interest on long-term liabilities).

Revenues – Revenues are divided into program revenues and general revenues. Program revenues are derived directly from the program itself or from parties outside the district's taxpayers, as a whole. They reduce the net cost of the function to be financed from the district's general revenues. Program-specific grants and contributions include revenues arising from mandatory and voluntary non-exchange transactions with federal, state governments, organizations, or individuals that are restricted for use in a particular program.

General revenues are revenues that are not required to be reported as program revenues such as property tax levies for a specific purpose and all non-tax revenues (interest and investment earnings).

FUND FINANCIAL STATEMENTS

The accounts of the district are organized on the basis of funds in the fund financial statements, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred inflows, liabilities, fund equity, revenues, and expenditures.

Resources are accounted for in individual funds based upon the purposes for which they are to be spent and how spending activities are controlled. The fund financial statements consist of the Fund Balance Sheet, Reconciliation of Balance Sheet/Statement of Net Position, Statement of Revenues, Expenditures and Changes in Fund Balance, and Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities; Fiduciary Fund - Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position.

The various funds are grouped into two classifications: Governmental and Fiduciary.

Governmental Funds

General Fund
This fund is the district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund. The revenues of the General Fund are derived primarily from the State of Washington, local property taxes, and federal grants. In keeping with the principle of as few funds as necessary, nutrition services, maintenance, technology services, printing and graphics, and pupil transportation activities are included in this fund.

Special Revenue Fund (Associated Student Body Fund)
These funds account for the proceeds of specific revenue sources that are legally restricted for specific purposes. The Associated Student Body Fund (ASB Fund) is the only fund of this type. This fund is accounted for as a special revenue fund since the financial resources belong to the district.

Revenues include the extracurricular fees and resources collected in fundraising events by and for students. Allowable expenditures include extracurricular activities for students that are of a cultural, athletic, recreational, or social nature. Disbursements require the joint approval of the appropriate student body organization and the district's board of directors.

Debt Service Fund
This fund is used to account for the accumulation of resources for and the payment of matured general long-term debt principal, interest, and related expenditures.

Capital Projects Funds
The capital projects fund type consists of the Capital Projects Fund and the Transportation Vehicle Fund.

The Capital Projects Fund accounts for financial resources to be used for the construction or acquisition of major capital assets. This fund must be used when projects are financed wholly or in part by bond issues, local levies, intergovernmental resources, major private donations, or insurance recoveries. Expenditures in this fund may also be for major technology implementation projects, energy capital improvements to existing buildings, and the purchase of certain initial equipment for existing buildings.

The Transportation Vehicle Fund is used to account for the purchase, major repair, rebuilding, and debt service expenditures related to pupil transportation equipment. The major sources of revenues in this fund include the state reimbursement for pupil transportation equipment and special levies.

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. Trust funds are used to account for assets held in trust for individuals, private organizations, other districts, or other funds in a fiduciary capacity as trustee or agent.

Private Purpose Trust Fund
This fund is used to account for resources legally held in trust by the district where principal and income benefit individuals, private organizations, or other governments. The trust agreement details whether principal and interest may both be spent, or whether only interest may be spent. Money from a Private-Purpose Trust Fund may not be used to support the district's programs. These trusts are primarily used for post-secondary scholarships, and to assist needy students with the purchase of uniforms, ASB memberships, etc.

Major And Non-Major Funds

All governmental funds are considered "major funds."

C. BUDGETS AND BUDGETARY ACCOUNTING

The Tacoma School District budgets its funds in accordance with the Revised Code of Washington Chapter 28A.505 and Chapter 392-123 of the Washington Administrative Code (WAC). The board adopts the budget after public hearings. An appropriation is a prerequisite to expenditure. Appropriations lapse at the end of the fiscal period. Annual appropriated budgets are adopted at the fund level. Each governmental fund's total expenditures cannot, by law, exceed its formal fund appropriation. Management is authorized to modify specific accounts within the overall fund appropriation. However, only the board has the authority to increase or decrease a given fund's annual expenditure budget. The board may adopt a revised or supplemental budget appropriation after public hearings anytime during the fiscal year. There were no revisions at the fund level during fiscal year 2022-2023.

BUDGETARY BASIS OF ACCOUNTING

For budget and accounting purposes, revenues and expenditures are accounted for on a modified accrual basis of accounting as prescribed in laws for all governmental funds. Fund balance is budgeted as available resources and, under statute, may not be negative.

ENCUMBRANCES

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders) outstanding at year-end are reported as assigned fund balances in the general fund and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. Encumbrances lapse at the end of the fiscal year and may be re-encumbered the following year.

Only the General Fund had encumbrances in the amount of $4,007,977 on August 31, 2023, which were re-encumbered on September 1, 2023. Significant encumbrances in the general fund include repair or replacement of HVAC systems, summer maintenance and repairs that weren't quite complete at August 31, furniture and equipment backorders, incomplete contracts for services, and supply orders placed late in the year.

No encumbrances are assigned in the other governmental funds as any encumbrances are included in other categories of fund balance, e.g. assigned to fund purposes, restricted to fund purposes, etc.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide statements and fiduciary fund financial statements, measure and report all assets (both financial and capital), deferred outflow of resources, liabilities, deferred inflows of resources, revenues, expenses, gains, and losses using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financials are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due. Property taxes received within 30 days of the end of the current fiscal period are recognized as revenues of the current fiscal period.

E. ELIMINATIONS AND RECLASSIFICATIONS

In the process of aggregating data for the government-wide Statements of Net Position and the Statement of Activities, interfund receivables and payables within governmental funds, except those with fiduciary funds, were eliminated. Interfund services are not eliminated from the government-wide presentation.

F. ASSETS, LIABILITIES AND NET POSITION/RESERVES/DESIGNATIONS

CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Tacoma School District's cash and cash equivalents are considered to be cash on hand and short-term investments with original maturities of three months or less from the date of acquisition. The Pierce County Treasurer is the ex-officio treasurer for the district. In this capacity, the county treasurer receives deposits and transacts investments on the district's behalf. The district uses US Bank as its fiscal agent for bond principal and coupon interest redemption.

Short-term investments are shown on the Statement of Net Position and on the Fund Balance Sheets at cost, net of amortized premium or discount, and long-term investments are stated at fair value. The investments in governmental funds are held by the Pierce County Treasurer which reports investments at amortized cost. Gains or losses on long-term investments are recognized at year end. The district intends to hold the time deposits and securities until maturity, where applicable.

PROPERTY TAXES

Property tax revenues are collected as the result of special levies passed by the voters in the district. Per Revised Code of Washington 84.60.020 the tax assessment date is January 1 of the calendar year of collection. The tax lien date is January 1 of the year of collection and taxes receivable are recognized as of that date. Current year taxes are due in full as of April 30 and are delinquent after that date. However, without incurring penalty, the taxpayer may elect to pay one-half of the taxes due by April 30, with the remaining one-half taxes due October 31, and are delinquent after that date. Typically, a little more than half of the taxes due are collected on the April 30 date. In accordance with state law, Pierce County may begin foreclosure proceedings following the third year of delinquency. On the governmental fund financial statements, property taxes receivable are measurable but are considered to be available only if they are collected within 30 days after year end.

Tax Abatements The Governmental Accounting Standards Board (GASB) Statement No. 77 requires state and local governments to disclose tax abatements where a decrease in specific taxes for a particular payer may contribute to economic development or otherwise benefits the governments or its citizens.

The property tax system in the state of Washington is budget-based, which means the taxing authority determines a budget or dollar amount and adjusts the rates for the taxpayers based on the assessed valuation of their property. As a result, tax abatement programs related to property taxes shift the tax burden to individual taxpayers rather than to the municipality.

The following are totals of abated taxes pertaining to the Tacoma School District in fiscal year 2022-2023:

City of Tacoma - Housing projects with 5 or more units $4,564,523.

The tax abatements did not result in a reduction or loss of revenue to the district because, pursuant to state law, these taxes were reallocated to other property taxpayers.

ACCOUNTS RECEIVABLE

This account represents amounts due for services rendered by the district, net of allowance for doubtful accounts.

INTERFUND RECEIVABLES/PAYABLES

Interfund receivables and payables and the associated revenues and expenditures/expenses are recorded in the respective funds in *government fund financial statements*. Interfund receivables and payables are eliminated in *government-wide financial statements*, except those with fiduciary funds, which are reclassified as a third-party receivable or payable.

DUE FROM OTHER GOVERNMENTS

This account represents receivables from federal, state, and local governments. Grant revenues are recorded in the year in which the related expenditures are incurred.

INVENTORIES AND PREPAID ITEMS

Warehouse inventory is valued at cost using the weighted average method perpetual inventory system. The "consumption method" of inventory is used, which charges the inventory accounts when inventory is received and charges the appropriate department as expenditures when consumed. The Nonspendable – Inventory & Prepaid Items fund balance categorization reflects the district's recorded inventories and prepaid items on the balance sheet. These are assets of the district that are not in spendable form. This includes United States Dept. of Agriculture (USDA) commodities which consist of food donated by the USDA for use in the district's nutrition services program. Commodities are valued at the prices paid by the USDA for the commodities and are included in the general fund inventory.

Prepaid items consist of software licenses and other prepayments made late in 2022-2023 for the new school year. Inventory amounts also include expendable supplies and equipment, generally purchased over the summer, and held for consumption until school begins in the fall. The costs are recorded as expenditures at the time inventory items are consumed.

DONATED SUPPLIES

During 2022-2023, supplies consisting of various types of COVID-19 test kits were donated to the district by the federal Department of Health via the Puget Sound Educational Service District. The fair market value of the donated supplies totaled $397,350.

BOND DISCOUNT, BOND PREMIUMS & ISSUANCE COSTS

In governmental fund types, bond discounts, premium and issuance costs are recognized in the period of issuance. In government-wide financial statements, bond premium and discounts are amortized over the life of the bonds.

CAPITAL ASSETS

Capital assets, which include property, buildings and improvements, and equipment, are reported in the applicable governmental activities in the government-wide financial statements. The district's equipment capitalization policy includes items where the individual cost of the asset is $5,000 or more, and the asset has a useful life of longer than one year. Such assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated acquisition value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized and are charged as expenditures in the current period. In the governmental fund financial statements, capital assets are accounted for as expenditures upon acquisition, and no depreciation is recorded. On the government-wide financial statements, capital assets are included, and depreciation expense is charged and allocated to various functions/programs in compliance with GASB statement No. 34 (see Note 4).

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Buildings, building and site improvements, vehicles, and equipment owned by the district are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Building & Site Improvements	20 years
Portable Buildings	25 years
Equipment & Vehicles	4-13 years

LEASES

The district has adopted provisions of GASB 87 Statement No 87 – *Leases*. Implementation of this statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. The new statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Leases that meet the capitalization threshold at lease commencement of $55,000, are reported as a lease liability and an intangible right-to-use lease asset (lessee) or a lease receivable and deferred inflow of resources (lessor) on the Statement of Net Position in the government-wide fund financial statements.

Lessee Activities - The district is a lessee for a noncancellable lease of a building and some equipment. For leases that meet the capitalization threshold, at lease commencement, the initial value of the lease liability is reported as other financing sources with a corresponding capital outlay on the governmental fund financial statements. The lease liability is initially measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over the lease term.

Lessor Activities - The district is a lessor for various noncancellable leases of buildings, and other assets. For leases that meet the capitalization threshold, at lease commencement, the district recognizes a lease receivable and a deferred inflow of resources on the governmental funds Balance Sheet. The lease receivable is initially measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is initially measured as the amount of the lease receivable, plus lease payments made at or before the lease commencement date, less any lease incentives paid to, or on behalf of, the lessee at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as lease revenue on a straight-line basis over the lease term.

Generally, if known, lessee interest rates are used as the discount rate for lessee agreements and the incremental borrowing rate as the discount rate for lease receivables. Certain payments are evaluated to determine if they should be included in the measurement of lease liabilities or assets, including those payments that require a determination of whether they are reasonably certain of being made.

Lease terms include the noncancellable period of the lease plus any additional periods covered by either a lessee or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the lessee and the lessor have a unilateral option to terminate (or if both parties must agree to extend) are excluded from the lease term.

The district monitors changes in circumstances that may require remeasurement of leases. When certain changes occur that are expected to significantly affect the amount of the lease, the liability or receivable is remeasured, and a corresponding adjustment is made to the leased asset or liability. For leases below the capitalization threshold and leases with a maximum possible term of 12 months or less at commencement, an expense/expenditure or revenue is recognized based on the provisions of the lease contract.

SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

On September 1, 2022, the district adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). Implementation of this Statement provide guidance on the accounting and financial reporting for SBITAs for government end users.

The district has recorded SBITA assets and liabilities as a result of implementing GASB 96. SBITAs which are based on variable payments (or user seats) are not recorded as subscription assets or liabilities and are expenses as incurred.

Leases that meet the capitalization threshold at lease commencement of $55,000, are reported as a lease liability and an intangible right-to-use lease asset on the Statement of Net Position in the government-wide fund financial statements. Meanwhile, on the governmental fund financial statements, the initial value of the subscription liability is reported as other financing sources with a corresponding capital outlay. The subscription liability is initially measured at the present value of payments expected to be made during the agreement term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The right-to-use asset is initially measured as the amount of the subscription liability, plus any payments made at or before the commencement of the subscription term and certain direct costs, less any lease incentives received. Subsequently, the lease asset is amortized on a straight-line basis over the subscription term.

Generally, if known, subscriber interest rates are used as the discount rate for subscription agreements. Certain payments are evaluated to determine if they should be included in the measurement of subscription liabilities or assets, including those payments that require a determination of whether they are reasonably certain of being made.

Subscription terms include the noncancellable period of the agreement plus any additional periods covered by either a subscriber or vendor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the subscriber or vendor have a unilateral option to terminate (or if both parties must agree to extend) are excluded from the lease term.

The district monitors changes in circumstances that may require remeasurement of subscriptions. When certain changes occur that are expected to significantly affect the amount of the subscription, the liability is remeasured, and a corresponding adjustment is made to the subscription liability. For subscriptions which are below the capitalization threshold, have a maximum possible term of 12 months or less at commencement, or which are based on variable payments (or user seats) are not recorded as subscription liabilities and are expensed as incurred.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The district has adopted the provisions of GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities.* The objective of these statements is to enhance the usefulness of financial reporting as described below.

In addition to assets and liabilities, the statement of financial position reports separate sections for deferred outflows and inflows of resources. As separate financial statement elements, deferred inflows and outflows of resources, represent flows of resources into and out of the district that apply to future period(s) and so will not be recognized as an inflow of resources (revenue) or outflow of resources (expenditures) until that time.

Property Taxes Unavailable revenues from property taxes are reported as a deferred inflow on the government fund statements. This amount is deferred and recognized as an inflow of resources in the period the amounts become available.

Pensions For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems.

Deferred Charge The district refunded bonds in July 2020 and the difference between the reacquisition price and the net carrying amount of the old debt resulted in a deferred charge. A deferred outflow of resources had been recorded to recognize the deferred charge.

OPEB GASB 75 reporting requirements show both deferred inflows and outflows of resources related to Other Post-Employment Benefits (OPEB) on the government-wide statements. Please refer to Note 10F for more details.

Leases Receivable Unavailable revenues from long-term leases receivable are reported as a deferred inflow on the government fund statements. This amount is deferred and recognized as an inflow of resources in the period the amounts become available.

COMPENSATED ABSENCES

Government-wide financial statements include a long-term liability for compensated absences on the statement of net position. The compensated absences liability includes vacation and sick leave earned by employees when the leave is related to employee services already rendered and eventual payment to the employee is considered probable. The sick and vacation leave liabilities reflect all salary related payments to employees.

Sick Leave Employees earn sick leave at a rate of 12 days per year up to a maximum of one contract year. Under the provisions of RCW 28A.400.210, sick leave accumulated by district employees is paid at death or retirement at the rate of one day for each four days of accrued leave, limited to 180 accrued days. This chapter also provides for an annual buyout of an amount up to the maximum annual accumulation of twelve days for active employees. For buyout purposes, employees may accumulate such leave to a maximum of 195 days, including the annual accumulation, as of December 31 of each year. To qualify for the annual sick leave buy-back, the employee must have accumulated in excess of 60 days of sick leave as of January 1.

The annual estimated sick leave buyout expenditures are accrued each pay cycle and paid out of a liability account. Accrued sick leave is paid out upon death, retirement, or termination provided the employee is at least 55 years of age and has sufficient years of service. Vested sick leave was computed using the vesting method.

Sick leave is reported under long-term liabilities in the *Statement of Net Position*. For reporting purposes, 25 percent of the sick leave liability (up to 180 days) for those eligible for retirement is considered accruable. The amount of accrued sick leave as of August 31, 2023, was $8,575,414 and reported as long-term liabilities in government-wide financial statements.

Vacation Leave For the employees that receive vacation, vacation leave is accrued according to the particular bargaining agreement. Vacation pay, including benefits, that is expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the government fund that will pay it. It is computed at 100 percent of the accrued amount. The amount accrued for vacation leave as of August 31, 2023, was $21,515,309 and reported as long-term liabilities in government-wide financial statements.

NET POSITION (GOVERNMENT-WIDE FINANCIAL STATEMENTS)

The “Net Investment in Capital Assets” consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, accounts payable, retainage payable, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The “Restricted Net Position” component reports the assets with constraints placed on net position by external laws, regulations, or legislation. Therefore, they are available for disbursements only for specific purposes (e.g. debt service, capital projects, and others). The “Unrestricted Net Position” are assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. When resources meeting more than one of these classifications are comingled in an account, assuming an expenditure meets the constraints of the classification, the assumed order of spending is restricted first, then unrestricted.

GOVERNMENTAL FUND BALANCES

Minimum Fund Balance The district’s Debt and Fiscal Board Policy 6015, and Fiscal Management Board Regulation 6015.1R provide the overall framework for fiscal management. To maintain reserves for cash flow, emergencies, and overall sound fiscal management, the district maintains fund balance reserves that are equal to 5 percent of the annual General Fund revenues, excluding other financing sources. The debt and fiscal reserves in the General Fund include Assigned to Encumbrances, Non-spendable – Inventory & Prepaids, Assigned to Contingencies, and Unassigned Fund Balance accounts. When resources meeting more than one of the classifications (excluding nonspendable) are comingled in an account, assuming an expenditure meets the constraints of the classification, the assumed order of spending is restricted first, committed second, assigned, and unassigned last. The district classifies ending fund balance for its governmental funds into five categories.

Nonspendable Fund Balance The amounts reported as Nonspendable are resources of the district that are not in spendable format. They are either non-liquid resources such as inventory or prepaid items, or the resources are legally or contractually required to be maintained intact.

Restricted Fund Balance Amounts that are reported as Restricted are those resources of the district that have had a legal restriction placed on their use either from statute, WAC, or other legal requirements that are beyond the control of the board of directors. Restricted fund balance includes anticipated recovery of revenues that have been received but are restricted as to their use. Outstanding encumbrances for the Associated Student Body Fund are included in the Restricted to Fund Purposes reserve; in the Capital Projects Fund, those outstanding encumbrances are included in the Restricted for Construction or the Restricted for Technology reserves.

Committed Fund Balance Amounts that are reported as Committed are those resources of the district that have had a limitation placed upon their usage by formal action of the district’s board of directors. Commitments are made either through a formal adopted board resolution or are related to a school board policy. Commitments may only be changed when the resources are used for the intended purpose or the limitation is removed by a subsequent formal action of the board of directors.

Assigned Fund Balance In the General Fund, amounts reported as Assigned are those resources the district has set aside for specific purposes. These accounts reflect tentative management plans for future financial resource use such as the replacement of equipment or the assignment of resources for contingencies. Assignments reduce the amount reported as Unassigned Fund Balance but may not reduce that balance below zero.

In other governmental funds, Assigned Fund Balance represents a positive ending spendable fund balance once all restrictions and commitments are considered. These resources are only available for expenditure in that fund and may not be used in any other fund without formal action by the district's board of directors and as allowed by statute. In the General Fund, assigned fund balance designations include Assigned to Encumbrances which is the remaining amount on purchase orders from prior years, Assigned to Budget Carryover for carryover commitments, Assigned to Future Operations, and Assigned to Curriculum & Instruction for textbook adoptions.

The Superintendent or the Chief Financial Officer have the authority to create Assignments of Fund Balance, per Board Regulation 6015.1R.

Unassigned Fund Balance In the General Fund, amounts reported as Unassigned are those net spendable resources of the district that are not otherwise Restricted, Committed, or Assigned, and may be used for any purpose within the General Fund. In other governmental funds, Unassigned Fund Balance represents a deficit ending spendable fund balance once all restrictions and commitments are considered.

A negative Unassigned Fund Balance means that the legal restrictions and formal commitments of the district exceed its currently available resources.

NOTE 2 DEPOSITS AND INVESTMENTS

The district's investment policy requires funds to be invested with the objective of producing the greatest return consistent with prudent business practice. The Pierce County Treasurer is the ex-officio treasurer for the district. The district directs the County Treasurer to invest those financial resources of the district that the district has determined are not needed to meet the current financial obligations of the district. In this capacity, the county treasurer receives, deposits, and transacts investments on the district's behalf.

The district's deposits are mostly covered by federal depository insurance (FDIC) or by the Washington Public Deposit Protection Commission, a multiple financial institution collateral pool. The provision for guaranteed coverage against loss applies not only to demand deposits, but also to certificates of deposit, money market deposit accounts, and savings deposits as well as accrued interest through the date of repayment. These provisions help mitigate custodial credit risk, which is the risk that, in the event of a failure of a depository financial institution, the district would not be able to recover deposits or collateral securities that are in the possession of an outside party.

All the district's investments during the year and year-end were insured or registered and held by the district or its agent in the district's name.

Washington State statutes authorize the district to invest in the following types of securities:

- Certificates, notes, or bonds of the United States, its agencies, or any corporation wholly owned by the government of the United States,
- Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System,
- Bankers' acceptances purchased on the secondary market,
- Repurchase agreements for securities listed in the three items above, provided that the transaction is structured so that the public treasurer obtains control over the underlying securities,
- Investment deposits with qualified public depositories,
- Washington State Local Government Investment Pool, and
- County Treasurer Investment Pools.

The districts investments as of August 31, 2023, are as follows:

Investment Type	Number of Securities	Carrying Amount	Market Value
State Treasurer's Investment Pool	6	$ 438,555,220	$ 438,555,220
Total Investments	**6**	**$ 438,555,220**	**$ 438,555,220**

At year end, the cash on hand, cash held by trustees according to retainage policies, plus the carrying amounts of the district's deposits and investments with financial institutions and with the Pierce County Treasurer were:

Distribution	Cash on Hand and in Bank	Cash Held by Trustees	Investments
Governmental Funds	$ 4,222,800	$ 596,401	**$ 437,488,453**
Fiduciary Funds	7,866	-	1,066,767
Total Deposits & Investments	**$ 4,230,666**	**$ 596,401**	**$ 438,555,220**

The Washington State Local Government Investment Pool (LGIP) was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. Participation in the pool is voluntary and the pool does not have a credit rating.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The pool maintains a Weighted Average Maturity (WAM) of 60 days or shorter. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at http://www.tre.wa.gov.

Interest Rate Risk – The Pierce County Treasurer's investment policy does not specifically address management of interest rate risk. The exposure to fair value losses arising from increasing interest rates is managed by requiring that at least twenty percent of the portfolio is comprised of investments maturing within the next year. The district's investment strategy limits the district's investment portfolio with the county to maturities of less than three years. Because of the extremely low interest rates, the district has the majority of its investments maturing on a short-term basis (maturing in less than one year), except in the capital projects fund where longer term investments were made based on construction cash flow needs. When interest rates improve, the district will revisit making longer term investments in its non-capital funds.

Credit Risk – Washington State statutes authorize the district to invest in (1) securities, certificates, notes, bonds, short-term securities, or other obligations of the United States, and (2) deposits in any state bank or trust company, national banking association, stock savings bank, mutual savings bank, savings and loan association, and any branch bank engaged in banking in the state in accordance with RCW 30.04.300 if the institution has been approved by the Public Deposit Protection Commission to hold public deposits and has segregated eligible collateral having a value of not less than its maximum liability.

The district's objective is to invest with the goal of producing the greatest return consistent with Washington State statutes. The district places no limit on the amount it may invest with any one issuer.

Through the county investment policy, credit risk is managed by restricting county investments (which include the district's funds) to obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities; bankers acceptances; primary certificates of deposit issued by qualified public depositories designated by the Washington Public Deposit Protection Commission; the Washington State Local Government Investment Pool (LGIP); municipal bonds issued by the state or its local governments; and repurchase agreements collateralized by any previously authorized investments. Bankers' acceptances must be ranked in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's. Diversification of the portfolio is achieved by limiting the maximum percentage of investments by type of investment in the portfolio as follows:

Investment Type	**Maximum % of Portfolio**
Washington State LGIP	100%
U.S. Treasury Obligations	100%
Federal Agency Securities	90%
Certificates of Deposit	40%
Repurchase Agreements	40%
Bonds of State of WA or any local government in the State of WA	20%
Bonds of other states or any local governments in the other state	15%
Commercial Paper	10%
Banker's Acceptance	10%

Fair Market Value. GASB 72 addresses accounting and financial reporting issues related to fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. This hierarchy has three levels:

Level 1 – Pricing inputs are observable inputs such as quoted prices, available in active markets, for identical assets or liabilities on the date of measurement.

Level 2 – Pricing inputs are either directly or indirectly observable inputs available in active markets as of the measurement date.

Level 3 – Pricing inputs are unobservable inputs used in cases where financial instruments are considered illiquid, with no significant market activity and little or no pricing information on the date of measurement.

All the district's investments held with the Pierce County treasurer are Level 1.

NOTE 3 INTERFUND TRANSACTIONS

As of August 31, 2023, short-term interfund receivables and payables in governmental funds that resulted from various interfund transactions in governmental fund financial statements were as follows:

	Interfund Receivables	Interfund Payables
General Fund	$ 5,376,232	$ 35,000,000
Special Revenue Fund	-	3,995
Capital Projects Fund	35,000,000	5,372,237
Total	**$ 40,376,232**	**$ 40,376,232**

Interfund balances result from the time lag between the dates that interfund goods and services are provided and reimbursable expenditures occur, or when transactions are recorded in the accounting system and payments are made between funds. These balances are liquidated monthly. Balances at fiscal year-end are eliminated in government-wide financial statements.

On March 16, 2023, the district's board of directors authorized an interfund loan from the Capital Projects Fund to the General Fund in the amount of $35,000,000. The stated interest rate of the loan was set as equal to the rate earned by the Pierce County Local Government Investment pool, which was 4.6082%. The loan is to be repaid no later than October 31, 2023. At year-end, the entire $35,000,000 remained outstanding.

Planned transfers between funds are included in the budgeting process. A transfer from the Capital Projects Fund to the General Fund for district-wide technology transactions of $5,407,391 was made in August.

NOTE 4 CHANGES IN CAPITAL ASSETS

Purchases of equipment with a unit cost over $5,000 are capitalized and depreciated in *government-wide financial statements*. The district's capital assets are insured in the amount of $1,579,020,184 for fiscal year 2022-2023. In the opinion of the district's insurance consultant, the amount is sufficient to adequately fund replacement of the district's assets.

	Primary Government			
	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities Capital Assets, not being depreciated:				
Land	$ 45,065,502	$ 0	$ (91,963)	$ 44,973,539
Construction-in-Progress	101,527,792	72,225,797	(85,261,912)	88,491,677
Total Capital Assets, not being depreciated	**$ 146,593,295**	**$ 72,225,797**	**$ (85,353,875)**	**$ 133,465,216**
Capital assets, being depreciated:				
Building and Improvements	$ 1,457,254,802	$ 93,544,091	$ (2,367,832)	$ 1,548,431,061
Equipment	49,147,624	2,250,764	(2,174,981)	49,223,407
Total Capital assets, being depreciated:	**$ 1,506,402,427**	**$ 95,794,855**	**$ (4,542,813)**	**$ 1,597,654,468**
Less Accumulated Depreciation for:				
Building and Improvements	$ (445,894,636)	$ (35,165,981)	$ 2,206,036	$ (478,854,581)
Equipment	(41,741,734)	(1,471,023)	2,164,125	(41,048,632)
Total Accumulated Depreciation	**$ (487,636,370)**	**$ (36,637,004)**	**$ 4,370,161**	**$ (519,903,213)**
Total Capital assets, being depreciated, net	**1,018,766,057**	**59,157,851**	**(172,652)**	**1,077,751,255**
Governmental Activities Capital Assets, Net	**$ 1,165,359,351**	**$ 131,383,648**	**$ (85,526,527)**	**$ 1,211,216,471**

Current Year Depreciation Expense charged to governmental activities:	
Regular Instruction	$ 34,166,990
Special Instruction	837
Career & Technical Instruction	216,335
Compensatory Instruction	36,212
Other Instruction Programs	27,304
Support Services	2,188,239
Extracurricular Activities (ASB)	1,087
Total	**$ 36,637,004**

NOTE 5 CONSTRUCTION IN PROGRESS

School	Project	Project Authorization	Accumulated Expenditures to Aug. 31, 2023
School Projects			
Bryant Elementary	New School	$ 53,940,000	$ 8,624,194
Fawcett Elementary	New School	45,828,000	35,740,188
Oakland High School	New School	44,700,000	1,443,002
Maritime Skills Center	New School	55,000,000	55,251
McKinley Elementary	Improvement	3,500,000	1,901,348
Willie Stewart Academy	Improvement	8,700,000	6,545,557
Total School Projects		**$ 211,668,000**	**$ 54,309,540**
District-Wide Projects			
Community Schoolyards		1,200,000	569,599
Building/Site Improvements		9,320,000	513,259
Fields		23,957,000	8,095,219
EMS Controls		7,800,000	713,177
Lighting & HVAC		1,500,000	1,254,546
Pool Renovations		11,300,000	5,986,442
Safety & Security		31,587,000	17,049,895
Total District-Wide Projects		**$ 86,664,000**	**$ 34,182,137**
GRAND-TOTAL		**$ 298,332,000**	**$ 88,491,677**

NOTE 6 PENSIONS AND NONGOVERNMENTAL PENSION PLANS

A. PENSIONS

The district is required to provide retirement benefits for substantially all qualifying employees through the Washington State Department of Retirement Systems (DRS), a department within the primary government of the state of Washington. Generally accepted accounting principles require, among other provisions, that the district recognize its proportionate share of the DRS plans' funded status. The district has no independent ability to fund or satisfy pension liabilities outside of Washington State's legislatively adopted contribution rates. Assessments now and in the future are made based on the legislatively-mandated rates and are paid by the district on salaries and wages, as earned, in future years.

The following table represents the aggregate pension amounts for all plans of the district for fiscal year 2023:

Aggregate Pension Amounts—All Plans	
Pension Liabilities	$ (48,503,102)
Pension Assets	$ 7,600,532
Deferred outflows of resources	$ 84,945,532
Deferred inflows of resources	$ (35,390,529)
Pension expense/expenditures	$ (717,474)

DRS, a department within the primary government of the state of Washington, issues a publicly available annual comprehensive financial report that includes financial statements and required supplementary information for each plan. The DRS annual comprehensive financial report may be obtained by writing to: Washington State Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or online at https://www.drs.wa.gov.

MEMBERSHIP PARTICIPATION

Substantially all of the district's full-time and qualifying part-time employees participate in one of the following three contributory, multi-employer, cost-sharing statewide retirement systems managed by DRS: Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS).

MEMBERSHIP & PLAN BENEFITS

Certificated employees are members of TRS. Classified employees are members of PERS (if Plan 1) or SERS. Plan 1 under the TRS and PERS programs are defined benefit pension plans whose members joined the system on or before September 30, 1977. TRS 1 and PERS 1 are closed to new entrants.

TRS Plan Information

TRS was established in 1938, and its retirement provisions are contained in RCW Chapters 41.34 and 41.32. TRS is a cost-sharing multi-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. TRS eligibility for membership requires service as a certificated, public school employee working in an instructional, administrative or supervisory capacity.

TRS is comprised of three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

TRS Plan 1 provides retirement, disability and death benefits. TRS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of 60 percent, divided by twelve. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two. Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

TRS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) per year of service for Plan 2 members and one percent of AFC for Plan 3 members. The AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit. Members are eligible for normal retirement at the age of 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. TRS Plan 2/3 members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. TRS Plan 2/3 members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one of two provisions: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules. TRS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. TRS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

PERS Plan Information

PERS was established in 1947, and its retirement benefit provisions are contained in RCW Chapters 41.34 and 41.40. PERS is a cost-sharing, multi-employer retirement system. PERS Plan 1 provides retirement, disability and death benefits. PERS 1 members were vested after the completion of five years of eligible service. Retirement benefits are determined as two percent of the member’s average final compensation (AFC) times the member’s years of service. The AFC is the average of the member’s 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

SERS Plan Information

SERS was established by the legislature in 1998, and the plan became effective in 2000. SERS retirement benefit provisions are established in RCW Chapters 41.34 and 41.35. SERS is a cost-sharing, multiemployer retirement system comprised of two separate plans for membership purposes. SERS Plan 2 is a defined benefit plan and SERS Plan 3 is a defined benefit plan with a defined contribution component. SERS members include classified employees of school districts and educational service districts.

SERS is reported as two separate plans for accounting purposes: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

SERS provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and one percent of AFC for Plan 3. The AFC is the monthly average of the member's 60 highest-paid consecutive service months before retirement, termination or death. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. SERS members, who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a reduced benefit.

The benefit is reduced by a factor that varies according to age, for each year before age 65. SERS members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 2, 2013: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules. SERS members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. SERS retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost- of-living allowance (based on the Consumer Price Index), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

PLAN CONTRIBUTIONS

The employer contribution rates for PERS, TRS, and SERS (Plans 1, 2, and 3) and the TRS and SERS Plan 2 employee contribution rates are established by the Pension Funding Council based upon the rates set by the Legislature. The methods used to determine the contribution requirements are established under chapters 41.34 and 41.40 RCW for PERS, 41.34 and 41.35 RCW for SERS, and 41.32 and 41.34 RCW for TRS. Employers do not contribute to the defined contribution portions of TRS Plan 3 or SERS Plan 3. Under current law the employer must contribute 100 percent of the employer-required contribution. The employee contribution rate for Plan 1 in PERS and TRS is set by statute at six percent and does not vary from year to year.

The employer and employee contribution rates for all plans were effective as of September 1, 2022. PERS contribution rates changed on July 1, 2023. The pension plan contribution rates (expressed as a percentage of covered payroll) for fiscal year 2023 are listed below:

	From this date	Through this date	Member rate	Employer rate	
PERS 1	7/1/2022	6/30/2023	6.00%	10.39%	
PERS 1	7/1/2022	8/31/2023	6.00%	9.39%	
TRS 1	7/1/2023	8/31/2023	6.00%	14.69%	
TRS 2	9/1/2022	8/31/2023	8.05%	14.69%	
TRS 3	9/1/2022	8/31/2023	*	14.69%	**
SERS 2	9/1/2022	8/31/2023	7.76%	11.79%	
SERS 3	9/1/2022	8/31/2023	*	11.79%	**

Note: The Employer rates include .0018 DRS administrative expense.
* TRS and SERS Plan 3 Employee Contribution Variable from 5% to 15% based on rate selected by the employee member.
** TRS and SERS Plan 2/3 Employer Contributions for defined benefit portion only.

THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

At June 30, 2023, the district reported a total liability of $48,503,102 for its proportionate shares of the individual plans' collective net pension liability and $7,600,532 for its proportionate shares of net pension assets. Proportion of net pension liability is based on annual contributions for each of the employers participating in the DRS administered plans. At June 30, 2023, the district's proportionate share of each plan's net pension liability is reported below:

June 30, 2023	PERS 1	SERS 2/3	TRS 1	TRS 2/3	Total
District's Annual Contributions	$ 3,409,854	$ 6,845,441	$ 15,801,702	$ 19,739,180	$ 45,796,177
Proportionate Share of the Net Pension Liability	$ 11,422,673	$ (4,017,873)	$ 37,080,429	$ (3,582,659)	$ 40,902,570

Changes to net pension liability from the prior period are displayed in the Schedule of Changes in Long Term Liabilities,

At June 30, 2023, the school district's percentage of the proportionate share of the collective net pension liability was as follows and the change in the allocation percentage from the prior period is illustrated below.

Allocation percentages	PERS 1	SERS 2/3	TRS 1	TRS 2/3
Current year proportionate share of the Net Pension Liability	0.500395%	2.806875%	2.927748%	2.917119%
Prior year proportionate share of the Net Pension Liability	0.550258%	2.968113%	3.073082%	3.082028%
Net difference percentage	-0.049863%	-0.161239%	-0.145334%	-0.164910%

ACTUARIAL ASSUMPTIONS

The total pension liabilities for TRS 1, TRS 2/3, PERS 1 and SERS 2/3 were determined by actuarial valuation as of June 30, 2022, with the results rolled forward to June 30, 2023, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.75% total economic inflation, 3.25% salary inflation
Salary increases	In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
Investment rate of return	7.00%

MORTALITY RATES

Mortality rates used in the plans were developed using the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status as the base table. OSA applies age offsets for each system to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale to project mortality rates for every year after the 2010 base table. The actuarial assumptions used in the June 30, 2022, valuation were based on the results of the *2013–2018 Demographic Experience Study Report and the 2021 Economic Experience Study*. Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report.

LONG-TERM EXPECTED RATE OF RETURN

OSA selected a 7.00% long-term expected rate of return on pension plan investments using a building-block method. In selecting the assumptions, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided.

The CMAs contain three pieces of information for each class of assets the WSIB currently invest in:
- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The expected future rates of return are developed by the WSIB for each major asset class. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2021, are summarized in the following table:

TRS 1, TRS 2/3, PERS 1, and SERS 2/3		
Asset Class	**Target Allocation**	**Long-term Expected Real Rate of Return**
Fixed Income	20.00%	1.50%
Tangible Assets	7.00%	4.70%
Real Estate	18.00%	5.40%
Global Equity	32.00%	5.90%
Private Equity	23.00%	8.90%

The inflation component used to create the above table is 2.20% and represents WSIB's long-term estimate of broad economic inflation consistent with their 2021 CMAs.

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.00 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Based on the assumptions described in the DRS CAFR Certification Letter, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return, a 7.00 percent on pension plan investments was applied to determine the total pension liability or (asset).

SENSITIVITY OF THE NET PENSION LIABILITY (ASSET) TO CHANGES IN THE DISCOUNT RATE

The following table presents the Tacoma School District's proportionate share of the collective net pension liability or asset calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.00 percent) or one percentage-point higher (8.00 percent) than the current rate. Amounts are calculated using the school district's specific allocation percentage, by plan, to determine the proportionate share of the collective net pension liability or asset.

	1% Decrease (6.00%)	**Current Discount Rate (7.00%)**	**1% Increase (8.00%)**
PERS 1 NPL	$ 3,189,149,000	$ 2,282,732,000	$ 1,491,643,000
Allocation Percentage	0.500395%	0.500395%	0.500395%
Proportionate Share of Collective NPL	$ 15,958,337	$ 11,422,673	$ 7,464,104

SERS 2/3 NPL	$ 1,168,408,000	$ (143,114,000)	$ (1,224,160,000)
Allocation Percentage	2.806875%	2.806875%	2.806875%
Proportionate Share of Collective NPL	$ 32,795,748	$ (4,017,873)	$ (34,360,637)
TRS 1 NPL	$ 1,927,853,000	$ 1,266,517,000	$ 688,424,000
Allocation Percentage	2.927748%	2.927748%	2.927748%
Proportionate Share of Collective NPL	$ 56,442,682	$ 37,080,429	$ 20,155,321
TRS 2/3 NPL	$ 3,595,509,000	$ (122,815,000)	$ (3,446,561,000)
Allocation Percentage	2.917119%	2.917119%	2.917119%
Proportionate Share of Collective NPL	$ 115,678,604	$ (3,582,659)	$ (100,540,275)

DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

The Pension Plans reported collective Deferred Outflows of Resources and collective Deferred Inflows of Resources related to the individual plans. At August 31, 2023, the district reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

PERS 1	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experiences	$ -	$ -
Net difference between projected and actual earnings on pension plan investments	-	(1,288,527)
Changes in assumptions or other inputs	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	7,376	-
TOTAL	**$ 7,376**	**$ (1,288,527)**
SERS 2/3	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experiences	$ 10,026,145	$ -
Net difference between projected and actual earnings on pension plan investments	-	(6,274,397)
Changes in assumptions or other inputs	6,832,969	(234,690)
Changes in proportion and differences between contributions and proportionate share of contributions	554,756	(340,252)
Contributions subsequent to the measurement date	1,869,662	-
TOTAL	**$ 19,283,532**	**$ (6,849,339)**
TRS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$ -	$ -
Net difference between projected and actual earnings on pension plan investments	-	(5,367,983)
Changes in assumptions or other inputs	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	8,426	-
TOTAL	**$ 8,426**	**$ (5,367,983)**
TRS 2/3	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experiences	$ 31,198,136	$ (504,768)
Net difference between projected and actual earnings on pension plan investments	-	(17,183,758)
Changes in assumptions or other inputs	28,460,705	(2,820,638)
Changes in proportion and differences between contributions and proportionate share of contributions	1,688,794	(1,375,496)
Contributions subsequent to the measurement date	4,298,542	-
TOTAL	**$ 65,646,177**	**$ (21,884,661)**

ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	$ 41,224,281	$ (504,768)
Net difference between projected and actual earnings on pension plan investments	-	(30,114,666)
Changes in assumptions or other inputs	35,293,674	(3,055,328)
Changes in proportion and differences between contributions and proportionate share of contributions	2,243,572	(1,715,767)
Contributions subsequent to the measurement date	6,184,006	-
TOTAL	**$ 84,945,532**	**$ (35,390,529)**

$6,184,006 reported as Deferred Outflows of Resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31	PERS 1	SERS 2/3	TRS 1	TRS 2/3
2024	$ (876,659)	$ 85,897	$ (3,751,239)	$ (4,044,572)
2025	(1,102,503)	(1,221,202)	(4,742,342)	(6,731,020)
2026	679,786	7,151,489	3,030,803	17,529,186
2027	10,849	3,005,876	94,795	7,659,081
2028	-	1,418,105	-	7,445,523
Thereafter	-	124,366	-	17,604,776

PENSION EXPENSE

For the year ending August 31, 2023, the district recognized total pension expense as follows:

Pension Expense	
PERS 1	$ (1,742,055)
SERS 2/3	2,124,600
TRS 1	(10,630,060)
TRS 2/3	9,530,038
TOTAL	**$ (717,474)**

POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS

457 Plan – Deferred Compensation Plan

District employees have the option of participating in a deferred compensation plan as defined in SS457 of the Internal Revenue Code that is administered by the state deferred compensation plan.

403(b) Plan – Tax Sheltered Annuity (TSA)

The district offers a tax deferred annuity plan for its employees. The plan permits participants to defer a portion of their salary until future years under two types of deferrals: Elective deferrals (employee contribution) and non-elective contribution (employer matching).

The district complies with IRS regulations that require school districts to have a written plan to include participating investment companies, types of investments, loans, transfers, and various requirements. Plans are administered by a third party and the district. The plan assets are assets of the district employees, not the school district and are therefore not reflected on these financial statements.

B. NONGOVERNMENTAL PENSION PLANS

The district has implemented the provisions of GASB Statement No. 78. This statement amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan.

In fiscal year 2022-2023 the district has the following union sponsored pension plans that provide defined benefit pension to the district's employees.

Plan Name	# of Employees Covered	Balance of Contributions
National Roofing Industry Pension Fund	2	$ 12,218
Carpenters Retirement Plan of Wester Washington	8	132,595
Northwest Laborers Employers Pension Plan	23	165,530
Central Pension Fund of the IUOE	302	900,770

IBEW Pacific Coast Pension Fund	8	94,306
Western Washington Glaziers Retirement Plan	1	27,468
Plumbers & Pipefitters National Pension Fund	13	61,324
WA State Plumbing & Pipefitting Pension Fund	13	62,114
Western Conference of Teamsters Pension Plan	11	71,649
International Painters & Allied Trades	4	15,021
IUOE Local 302/612 Employers Const. Industry Ret. Plan	4	3,911
Total	**389**	**$ 1,546,906**

National Roofing Industry Pension Fund (NRIPP)
It is administered by Wilson-McShane Corporation, National Roofing Industry Benefit Funds. The entity identification is 36-6157071. Two district employees are covered by NRIPP. The NRIPP is a "defined benefit plan" where the roofer earns a monthly income payable at retirement (after 5 years of vested service) for the rest of the roofer's life. The amount of that income is determined primarily by the number of years worked for a signatory employer and the number of hours worked in each of those years. The pension benefit terms and contribution requirements are established by Trustees of NRIPP. Contributions to the plan are made monthly pursuant to the terms of a collective bargaining agreement. In fiscal year 2022-2023 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 22-22 – district paid $3.43/hour
Contribution amount FY 22-22 - $12,218
There is currently no withdrawal liability for the NRIPP.

Carpenters Retirement Plan of Western Washington (CRP)
It is administered by Carpenters' Trust of Western Washington. The entity identification is 91-6029051. 8 district employees are covered by CRP. The CRP is a "defined benefit plan" which means the carpenter earns a monthly income payable at retirement for the rest of the carpenter's life. The amount of that income is determined primarily by the number of years worked for a signatory employer and the number of hours worked in each of those years. The benefit terms and contribution requirements are established by Board of Trustees of CPR. Contributions to the plan are made monthly pursuant to the terms of a collective bargaining agreement. In fiscal year 2022-2023 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 22-23 – district paid $10.10/hour
Contribution amount FY 22-23 - $132,595
There is currently no withdrawal liability for the CRP.

Northwest Laborers Employers Pension Plan (NWLEPP)
It is administered by Zenith American Solutions, NW Laborers Employers Trust Fund. The entity identification is 91-6022315. 23 district employees are covered by NWLEPP. NWLEPP is a "defined benefit plan" providing benefit payments guaranteed at retirement by the Pension Benefit Guaranty Corporation, a federal insurance agency. The benefit is determined by years of services for a signatory employer. The benefit terms and contribution requirements are established by Board of Trustees of NWLEPP. Contributions to the plan are made monthly pursuant to the terms of a collective bargaining agreement. In fiscal year 2022-2023 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 22-23 – district paid $5.30/hour
Contribution amount FY 22-23 - $165,530
The NWLEPP does have a withdrawal liability however the amount of liability was not available by publication date.

Central Pension Fund of the IUOE (CPF)
It is administered by the Board of Trustees of CPF of the IUOE. The entity identification is 36-6052390. 302 district employees are covered by the plan - 57 bus drivers and dispatchers, 39 security employees, and 206 custodians are covered by the CPF. CPF is a "defined benefit plan" providing a benefit determined by accrual rate, years of service and hours worked in the service years. Benefit payments are guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 2022-2023 all pension contributions are based on 2080 hours compensated per year for dispatchers and bus drivers, full-time security employees, and custodians, and 1,704 hours for part-time security employees.

Contribution rates FY 22-23 – district paid $2.00/hour for dispatchers, $1.00/hour for bus drivers, $0.75/hour for 10-month part-time security employees, $1.50/hour for full-time security employees, and $1.80/hour for custodians.
Contribution amount FY 22-23 – Total – $900,770. $9,682 for dispatchers, $90,843 for bus drivers, $43,951 for part-time security employees, $12,593 for full-time security employees, and $743,704 for custodians.
There is currently no withdrawal liability for the CPF.

IBEW Pacific Coast Pension Fund
It is administered by Rhen & Associates/IBEW Local 76. The entity identification is 94-6128032. 8 district employees are covered by the Pacific Coast Pension Fund. The fund is a "defined benefit plan" providing benefit payments guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. The monthly benefit at normal retirement is determined by the accrual rate, years of service and hours worked in the

service years. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 2022-2023 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 22-23 – district paid $5.41/hour for IBEW and 3% of gross wages for NEBF.
Contribution amount FY 22-23 - $94,306
There is currently no withdrawal liability for the Pacific Coast Pension Fund.

Western Washington Glaziers Retirement Plan
It is administered by BENESYS, Inc./The Employee Painters' Trust. The entity identification is 91-6050587. One district employee is covered by the plan. The fund is a "defined benefit fund" providing monthly benefit payments guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. The monthly benefit at normal retirement age is determined by an accrual rate for credited years of service. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 2022-2023 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 22-23 – district paid $13.25/hour
Contribution amount FY 22-23 - $27,468
There is currently no withdrawal liability for the Western Washington Glaziers Retirement Plan.

Plumbers & Pipefitters National Pension Fund
It is administered by the Board of Trustees, Plumbers & Pipefitters National Pension Plan. The entity identification is 52-6152779. 12 district employees are covered by the plan. The fund is a "defined benefit plan" providing monthly benefit payments guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. The monthly benefit at normal retirement age is determined by an accrual rate and years of credited service. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 2022-2023 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 22-23 – district paid $3.90/hour (09/01-04/30) and $4.00/hour (05/01-08/31)
Contribution amount FY 22-23 - $58,770
The Plumbers & Pipefitters National Pension Fund has been placed in "endangered" status by the Pension Protection Act of 2006. The Plan does have a withdrawal liability however the amount of liability was not available by publication date.

WA State Plumbing & Pipefitting Pension Fund
It is administered by Zenith American Solutions. The entity identification is 91-6029141. 12 district employees are covered by the plan. The fund is a "defined benefit plan" with options for the participant based on the value of the benefit at the time of retirement. Benefit accruals are based on contributions made to the plan on behalf of the participant for hours of service earned during a plan year and years of credited service. The plan is guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. Contributions to the plan are made monthly and are pursuant to the collective bargaining agreement. In fiscal year 2022-2023 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 22-23 – district paid $4.00/hour
Contribution amount FY 22-23 - $59,560
The WA State Plumbing & Pipefitting Pension Fund does have a withdrawal liability however the amount of liability was not available by publication date.

Western Conference of Teamsters Pension Plan
It is administered by Northwest Administrators, Inc. The entity identification is 91-6145047. 11 district employees are covered by the plan. The fund is a "defined benefit plan" providing monthly benefit payments at retirement age. The plan is guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. The monthly benefit is determined by an account benefit formula used for service after 1986 and is based on a percentage of all of the participant's non-forfeited years of service. The five-year average benefit formula is used to determine a monthly benefit based on years of service and the rate of contributions payable for the participants last five years of service. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 2021-2022 all pension contributions are limited to 2080 maximum hours in a plan year.

Contribution rate FY 22-23 – district paid $3.30/hour
Contribution amount FY 22-23 - $71,649
There is currently no withdrawal liability for the Western Conference of Teamsters Pension Plan.

International Painters & Allied Trades (IUPAT) Industry Pension Plan
It is administered by IUPAT Pension Fund Administrator. The entity identification is 52-6073909. 4 district employees are covered by the plan. The plan is a "defined benefit plan" providing guaranteed monthly benefits. The monthly benefit is a combination of 100% of the participant's first $11 of the Plan's monthly benefit accrual rate, plus 75% of the next $33 of the accrual rate, multiplied times each year of credited service. The maximum guarantee is $35.75 per month multiplied by a participant's years of credited service. Benefit payments are guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. Contributions to the plan are made monthly pursuant to the terms of the collective bargaining agreement. In fiscal year 20212-2023 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 22-23 – district paid $2.73/hour
Contribution amount FY 22-23 - $15,021
There is currently no withdrawal liability for the IUPAT.

IUOE Local 302/612 Employers Construction Industry Retirement Plan

It is administered by Construction Industry Funds Admin. Services Inc. The entity identification is 91-6028571. Four district employees are covered by the plan. The plan is a "defined benefit plan" providing a monthly benefit once they have obtained age 60 and have five years of credited service or have 7,500 covered hours of employment. Participants are entitled to a monthly benefit for each year of credited past service plus a percentage of the contributions made on the participants' behalf. Benefit payments are guaranteed by the Pension Benefit Guaranty Corporation, a federal insurance agency. Contributions to the plan are made pursuant to the terms of the collective bargaining agreement. In fiscal year 2022-2023 all pension contributions are based on 2080 hours compensated per year.

Contribution rate FY 22-23 – district paid $2.00/hour
Contributions amount FY 22-23 - $3,911
There is currently no withdrawal liability for the IUOE Local 302/612 Employers Construction Industry Retirement Plan.

The financial reports for each of these plans are available by going to www.efast.dol.gov and from:

The US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room
200 Constitution Avenue, NW, Room N-1515
Washington DC 20210
(202) 693-8673

NOTE 7 LONG-TERM LIABILITIES

A. CHANGES IN LONG-TERM LIABILITIES

Bonds payable on August 31, 2023, include the following: 2012 Refunding Bond, 2014 Unlimited Tax General Obligation Bond (UTGO) Refunded in 2020, 2015 Refunding Bond, 2015 UTGO Refunded in 2020, 2020 Refunding Bond, 2020-B UTGO, and 2020-C UTGO. Interest on bonds is payable on June 1 and December 1.

In February 2013, the district passed a $500M bond authority measure for construction projects. An 18-month, $100M Bond Anticipation Note (BAN) was issued in June 2013 to fund the first phase of construction. The BAN was due in December 2014. The 2014 UTGO bond was issued for $152,625,000 and included funds to pay off the BAN as well as provide new money for the next phase of construction. Interest rates on the bonds are fixed at 1.0 to 5.0 percent.

In July 2020, the district issued refunding bonds with a par value of $366,010,000 and refunded $130,360,000 of outstanding 2014 UTGO Bonds and $165,195,000 of outstanding 2015 UTGO Bonds to take advantage of favorable market conditions. The interest rates were fixed at 1.8 to 2.4 percent. The net proceeds of $364,639,479, after payment of $1,370,521 in underwriting fees, insurance, and other issuance costs, were deposited in an escrow account for the payment of the defeased portion of the bonds and bond premiums. The district refunded the 2014 and 2015 Bonds to reduce its total debt service payments over the next six years by $462,839,140 and to obtain a present value economic gain of $45,335,614, or over 15 percent. The refunded bonds will be fully paid in December 2039.

In February 2020, voters passed a $535 million Tacoma Public Schools construction bond that supports the replacement or renovation of 8 aging schools. New roofs and boilers, safety upgrades, energy management systems and ADA improvements to improve accessibility are all part of the construction bond. On October 30, 2020 the district issued $484 million in new bonds, plus $51 million in aggregate original issue premium generated by the sale, to fund the voter approved construction projects through the next several years. The interest rates were fixed at .279 to 5 percent. The bonds will be fully paid in December 2045. Construction projects include replacement and new construction of Bryant, Downing, and Fawcett Elementary schools; and district-wide building improvements and health and safety upgrades. The amount of bond proceeds expended as of August 31, 2022 was $144,714,939. Bond proceeds have been used only for the purposes described in district Resolution No. 2065 and approved by the voters of the district.

In prior years, the district defeased other general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on these old bonds. Accordingly, the trust account assets and the liability for the bonds defeased in prior years are not included in the district's financial statements.

Net Pension Liabilities, Lease Liabilities, and Subscription-Based Information Technology Agreement Liabilities were added to the Schedule of Long-Term Liabilities under GASB 68, 87 and 96, respectively. See Notes 6, 8 and 9, respectively.

Besides the long-term liabilities, the district also has short-term liabilities such as general accounts payable, wages and benefits payable, and unearned revenues. Those are on-going liabilities and will liquidate within one year. The district does not have conduit debt or hold demand bonds.

The following is a summary of changes in long-term debt of the district for the fiscal year ended August 31, 2023, and reported in the government-wide financial statements:

GOVERNMENTAL ACTIVITIES	Balance at September 1, 2022	Additions	Reductions	Balance at August 31, 2023	Due within One Year
Bonds and Contracts Payable					
2012 Refunding of '03,05,05A UTGOs	$ 35,000,000	$ -	$ 10,795,000	$ 24,205,000	$ 11,705,000
2014 UTGO (Refunded)	6,240,000	-	-	6,240,000	-
2015 UTGO (Refunded)	69,805,000	-	3,820,000	65,985,000	3,640,000
2020 Refunding of '14, '15 UTGOs	360,495,000	-	5,540,000	354,955,000	5,565,000
2020-B UTGO	249,280,000	-	-	249,280,000	-
2020-C UTGO	218,540,000	-	22,250,000	196,290,000	25,905,000
Total Bonds and Contracts Payable	**$ 939,360,000**	**$ -**	**$ 42,405,000**	**$ 896,955,000**	**$ 46,815,000**
Net Pension Liabilities					
PERS Plan 1	$ 15,321,204	$ -	$ 3,898,531	$ 11,422,673	
TRS Plan 1	58,444,800	-	21,364,371	37,080,429	
Total Net Pension Liabilities	**$ 73,766,005**	**$ -**	**$ 25,262,903**	**$ 48,503,102**	
Other Liabilities					
Leases	$ 439,804	$ -	$ 251,032	$ 188,772	$ 188,772
Subscription-Based Information Technology Agreements	1,359,298	-	542,467	816,831	469,343
Unamortized Bond Premium	76,696,375	-	3,700,836	72,995,539	2,343,813
Total OPEB Liability	222,325,439	16,823,621	105,615,196	133,533,864	4,922,114
Compensated Absences	23,469,095	13,243,253	6,621,627	30,090,722	7,522,681
Total Other Liabilities	**$ 324,290,010**	**$ 30,066,874**	**$ 116,731,157**	**$ 237,625,728**	**$ 15,446,722**
Total Governmental Activities	**$ 1,337,416,015**	**$ 30,066,874**	**$ 184,399,059**	**$ 1,183,083,830**	**$ 62,261,722**

Compensated absences, Leases, Total OPEB Liabilities and Net Pension Liabilities are funded out of the General Fund. Debt service requirements for bonds are funded out of the Debt Service Fund with the revenue sources being property taxes and investment income. At August 31, 2023, the district had $33,533,715 available in the Debt Service Fund to service the general obligation bonds.

B. BOND PREMIUM

The district sold Unlimited Tax General Obligation Bonds (UTGO) at a premium for bond sales in 2012, 2014, 2015 and 2020. The premiums are being amortized over the remaining life of the bonds. The 2014 and 2015 UTGO Bonds have been refunded and the unamortized premium decrease reflects the current year refunding. Below is a schedule showing the current year's change in unamortized premium costs:

Unamortized Bond Premium Costs				
Description	**Balance at September 1, 2022**	**Increase**	**Decrease**	**Balance at August 31, 2023**
2012 UTGO Bonds	$ 7,575,544	$ -	$ 2,883,776	$ 4,691,767
2014 UTGO Bonds	1,257,597	-	-	1,257,597
2015 UTGO Bonds	15,304,429	-	817,060	14,487,369
2020-B UTGO Bonds	52,558,805	-	-	52,558,805
Total	**$ 76,696,375**	**$ -**	**$ 3,700,836**	**$ 72,995,539**

C. DEBT SERVICE REQUIREMENT TO MATURITY

The district has implemented the provisions of GASB Statement No. 88 and presented information in the notes related to debt and direct borrowings shown below.

Year Ending August 31,	UTGO Bonds & Refunded Bonds		Total
	Principal	Interest	
2024	$ 46,815,000	$ 25,954,626	$ 72,769,626
2025	49,505,000	25,080,893	74,585,893
2026	48,485,000	23,644,081	72,129,081

2027	28,165,000	22,113,803	50,278,803
2028	29,350,000	20,959,309	50,309,309
2029-2033	161,460,000	90,812,287	252,272,287
2034-2038	181,570,000	70,559,368	252,129,368
2039-2043	207,900,000	42,820,183	250,720,183
2044-2046	143,705,000	6,652,374	150,357,374
TOTAL	**$ 896,955,000**	**$ 328,596,923**	**$ 1,225,551,923**

D. ARBITRAGE REBATE

The Tax Reform Act of 1986 requires the district to rebate the earnings on the investment of bond and revenue anticipation note proceeds, in excess of their yield, to the federal government. Ninety percent of the rebate is due and payable five years from the date bonds were issued and at five-year intervals thereafter. The remaining 10 percent is payable 60 days after the bonds are retired. Because positive arbitrage can offset negative arbitrage, the rebate amount fluctuates each year and may or may not be owed at the payment intervals.

The district uses a contractor to provide these arbitrage rebate calculations. At the last check in period, the district had no arbitrage rebate liability.

E. DEFERRED CHARGE ON REFUNDING

The district refunded its 2014 and 2015 UTGO Bonds in July 2020. The difference between the refunded principal ($295,555,000) and the net cost of refunding ($314,179,286) resulted in deferred charge that is amortized over the shorter of either the term of the refunded bonds or refunding bond. The deferred charge is reported as an outflow of resources and recognized as a component of interest expense over the remaining life of the new debt. Following is the remaining portion of the deferred charge.

Deferred Outflow on Refunded 2014 & 2015 Bonds (July, 2020)				
Year	**Balance at September 1**	**Additions**	**Reductions**	**Balance at August 31**
2024	$ 16,663,835	$ -	$ 980,226	$ 15,683,609
2025	15,683,609	-	980,226	14,703,383
2026	14,703,383	-	980,226	13,723,158
2027	13,723,158	-	980,226	12,742,932
2028-2032	12,742,932	-	4,901,128	7,841,804
2033-2037	7,841,804	-	4,901,128	2,940,677
2038-2039	2,940,677	-	2,940,677	-

NOTE 8 LEASES

On September 1, 2021 the district implemented GASB 87 – *Leases*. Implementation of this statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. The new statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Lessee Activities

The following is a schedule of leased assets and related accumulated amortization:

Leased Assets	Balance at September 1, 2022	Additions	Reductions	Balance at August 31, 2023
Leased Assets Being Amortized				
Real Estate	$ 132,093	$ -	$ -	$ 132,093
Equipment	552,624	-	-	552,624
Total Leased Assets Being Amortized	**$ 684,717**	**$ -**	**$ -**	**$ 684,717**
Less: Accumulated Amortization				
Real Estate	(66,046)	(66,046)	-	(132,092)
Equipment	(184,208)	(184,208)	-	(368,416)
Total Accumulated Amortization	**$ (250,254)**	**$ (250,254)**	**$ -**	**$ (500,508)**
Total, Net of Accumulated Amortization	**$ 434,462**	**$ (250,254)**	**$ -**	**$ 184,208**

As of August 31, 2023, the principal and interest requirements for leases to maturity are as follows:

Year Ending August 31,	Principal	Interest	Total
2024	$ 188,772	$ 2,530	$ 191,302
TOTAL	**$ 188,772**	**$ 2,530**	**$ 191,302**

Lessor Activities

The district has entered into multiple lease agreements as a lessor, two (2) of which that qualify under GASB 87. The district recognized $40,165 in lease revenue and $3,278 in interest income during the current fiscal year related to the leases. As of August 31, 2023, the district's receivable for lease payments was $330,528. The district's deferred inflow of resources associated with these leases will be recognized as revenue over the terms of the leases. As of August 31, 2023, the balance of the deferred inflow of resources was $328,999. Future lease payments will be received as follows:

Year Ending August 31,	Principal	Interest	Total
2024	$ 40,544	$ 2,899	$ 43,443
2025	40,927	2,516	43,443
2026	41,314	2,129	43,443
2027	41,704	1,739	43,443
2028	42,097	1,346	43,443
2029-2031	123,942	1,642	125,584
TOTAL	**$ 330,528**	**$ 12,271**	**$ 342,799**

NOTE 9 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS

On September 1, 2022, the district adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). The implementation of this standard establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The district has recorded SBITA assets and liabilities as a result of implementing GASB 96. SBITAs which are based on variable payments (or user seats) are not recorded as subscription assets or liabilities and are expenses as incurred.

The following is a schedule of subscription assets and related accumulated amortization:

Subscription Assets	Balance at September 1, 2022	Additions	Reductions	Balance at August 31, 2023
Subscription Assets Being Amortized				
Intangible Right-to-Use	$ 1,359,298	$ -	$ -	$ 1,359,298
Total Subscription Assets Being Amortized	**$ 1,359,298**	**$ -**	**$ -**	**$ 1,359,298**
Less: Accumulated Amortization				
Intangible Right-to-Use	-	(476,634)	-	(476,634)
Total Accumulated Amortization	**$ -**	**$ (476,634)**	**$ -**	**$ (476,634)**
Total, Net of Accumulated Amortization	**$ 1,359,298**	**$ (476,634)**	**$ -**	**$ 882,663**

As of August 31, 2023, the principal and interest requirements for SBITAs to maturity are as follows:

Year Ending August 31,	Principal	Interest	Total
2024	$ 469,343	$ 4,931	$ 474,274
2025	311,838	506	312,344
2026	35,650	-	35,650
TOTAL	**$ 816,831**	**$ 5,437**	**$ 822,267**

For the year-ended August 31, 2023, the district had SBITAs with variable payments that were based on user seats which were expensed as incurred in the amount of $418,255.

NOTE 10 RISK MANAGEMENT

A. UNEMPLOYMENT

The district self-insures unemployment compensation for all eligible employees. Actual employee claims are paid by the State of Washington, Department of Employment Security and then reimbursed by the district. This self-insurance program is more cost-effective for the district than full participation in the state unemployment compensation program.

Unemployment				
Fiscal Year	Beg. Balance	Additions	Reductions	End. Balance
2022	$ 532,187	383,620	264,668	$ 651,139
2023	$ 651,139	769,770	480,077	$ 940,832

B. INDUSTRIAL INSURANCE

On January 1, 2002, the district joined the Puget Sound Workers' Compensation Trust, an intergovernmental risk sharing pool, approved by statute, for the purposes of group self-insuring school employee workers' compensation claims. The district forfeited its self-insurance certification at that time, and all self-insured claims prior to January 1, 2002 remain a liability for the district and are being managed by the Puget Sound Workers' Compensation Trust. The Trust pays the self-insured claims, and the district reimburses the Trust for those claims on an as incurred basis, until such time as the self-insured claims are closed. Claims occurring on or after January 1, 2002, are "Trust" claims which are managed and paid by the Trust. The district pays the trust workers' compensation premium based on employee hours worked, according to job classification codes as developed by the State's Department of Labor & Industries. In addition, the district reimburses the Trust for quarterly assessments provided by Labor & Industries to self-insured employers and self-insured groups. The Trust pays the assessments to Labor & Industries. Assessments include Supplemental Pension Fund, Asbestos Fund, Administrative Fund, Second Injury Fund, and Insolvency Trust Fund.

The industrial insurance payable includes reimbursement to the Trust for self-insured claim costs (including incurred but not reported [IBNR] claims), workers' compensation premiums to the Trust for group self-insured claims costs, and reimbursement to the Trust for Labor & Industry assessments.

Industrial Insurance				
Fiscal Year	Beg. Balance	Additions	Reductions	End. Balance
2022	$ 688,614	4,124,544	4,437,251	$ 375,907
2023	$ 375,907	8,623,828	8,239,974	$ 759,761

C. RISK MANAGEMENT POOL

The district is a member of the Washington Schools Risk Management Pool (WSRMP). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. WSRMP was formed in 1986 when educational service districts and school districts in the state of Washington joined by signing the Cooperative Risk Management Pool Account Agreement (Account Agreement) to pool their self-insured losses and jointly purchase insurance and administrative services. Over 90 school and educational service districts have joined WSRMP.

WSRMP allows members to jointly purchase insurance coverage, establish a plan of self-insurance, and provide related services, such as risk management. WSRMP provides the following coverages for its members: property, liability, vehicle, school board liability, crime, employment practices, errors and omissions, equipment breakdown, cyber security, terrorism, and stop gap liability.

Members make an annual contribution to fund WSRMP. WSRMP purchases reinsurance and excess insurance from unrelated carriers subject to a per-occurrence self-insured retention of $1 million for property risk $1.5M for liability risk shared by WSRMP. Reinsurance or Excess carriers cover losses over the self-insured retention to the maximum limits of each policy. Members are responsible for varied deductibles for auto and property claims. Since WSRMP is a cooperative program, there is a joint liability among the participating members.

Members contract to remain in WSRMP for a minimum of three years and must give notice three years before terminating participation. The Account Agreement is renewed automatically each year after the initial three-year period. Even after termination, a member is still responsible for their share of contributions to WSRMP for any unresolved, unreported, and in-process claims for the period in which they were a signatory to the Account Agreement.

WSRMP is fully funded by its member participants and is governed by a board of directors that consists of one designated representative from each participating member. An executive board is elected at the annual meeting and is responsible for overseeing the business affairs of WSRMP.

The district paid $4,593,081 for its annual premium contribution to WSRMP for its property and liability insurance coverage in 2022-23. The district had no significant reductions in insurance coverage from coverage in the prior year in any of its major risk categories. There were no insurance settlements that exceeded the district's insurance coverage in any of the past three fiscal years.

D. EMPLOYEE BENEFITS

The School Employees Benefits Board (SEBB) Program administers health insurance and other benefits to all employees in school districts and charter schools, and union-represented employees of educational service districts in Washington. The SEBB studies, designs, and approves comprehensive and cost-effective insurance benefit plans for school employees and establishes eligibility criteria for participation in these plans. The SEB Board is separate and independent from the Public Employees Benefits Board (PEBB).

The funding policy is based upon pay-as-you-go financing.

The SEBB collects benefit premiums from all school district entities for covered employees. The premium includes a fee, established in state law. The purpose of this fee is to cover the impact of the subsidized rate of health care benefits for school retirees who elect to purchase their health care benefits through the state Health Care Authority PEBB plan. The amount collected is set forth in the state's operating budget and is subject to change on an annual basis. This amount is not actuarially determined and is not placed in a trust to pay the obligations for postemployment health care benefits.

For the fiscal year 2022-23, the district paid $49,115,800 in total to HCA-SEBB.

The district has no control over the benefits offered to retirees, the rates charged to retirees, nor the fee paid to the Health Care Authority. The district does not determine its annual required contribution, nor the net other post-employment benefit obligation associated with this plan. These amounts are not shown on the financial statements.

For further information on the results of the actuarial valuation of the employer provided subsidies associated with the state's PEBB plan, refer to the Office of the State Actuary. The plan does not issue a separate report; however, additional information is included in the State of Washington Annual Comprehensive Financial Report, which is available on the OFM website.

E. POST-EMPLOYMENT HEALTH CARE BENEFITS

All eligible district employees may participate in health care insurance programs offered by SEBB after their separation from the district due to early retirement or termination. The COBRA program is a continuation of health care benefits from the district. Eligible employees (former employees) and dependents may be on this plan for only 18 months. COBRA offers group rates, but the monthly cost of the continuation of the health care benefits is the responsibility of the former employee.

F. OTHER POST-EMPLOYMENT BENEFITS

The district implemented GASB Statement 75 for fiscal year 2018 financial reporting. The following table represents the aggregate OPEB amounts subject to the requirements of GASB 75 for the year 2022-2023:

OPEB Amounts As of August 31, 2023	
OPEB Liabilities	$ 133,533,864
Deferred Outflows of resources	24,229,292
Deferred Inflows of resources	(107,399,416)
OPEB expense (benefit)	4,621,428

The state, through the Health Care Authority (HCA), administers a single employer defined benefit other post-employment benefit (OPEB) plan. The Public Employees Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of retired employee participation and coverage, including establishment of eligibility criteria. Benefits purchased by PEBB include medical, dental, life and long-term disability.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumption used in the valuations presented in this note assume that this substantive plan will be carried forward into the future.

The district is deemed to provide to its retirees employer-provided subsidies associated with post-employment medical and life insurance benefits provided through the PEBB. According to state law, the Washington State Treasurer collects a fee from all school district entities which are not current active members of the state Health Care Authority but participate in the state retirement system. As outlined in the state's operating budget, school districts are mandated to pay the state HCA $80.04 per month per full-time equivalent employee in the 2022-23 fiscal year to support the program. This assessment to the district is subject to change annually. Participation in the PEBB is limited to the district's retirees.

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 15 of the state's K-12 schools and educational service districts (ESDs), and 274 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 289 K-12 school districts and ESDs. The district's retirees are eligible to participate in the PEBB plan under this arrangement. District membership in the PEBB plan consisted of the following:

Summary of Plan Participants	
As of August 31, 2023	
Retirees or beneficiaries currently receiving benefits	2,112
Active employees	5,066
Total	**7,178**

It is not possible to determine the number of employees entitled to but not yet receiving benefit payments. Retiring employees apply for benefits at their discretion, may be otherwise working and not eligible for benefits, or be deceased. This data is not monitored by the district, the Health Care Authority or the state of Washington.

PLAN DESCRIPTION

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums under the provisions of the retirements system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. District members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits) under Plan 2 or 3 of TRS or SERS. Retirees with 5 years or more of service who are age 65 or more and retirees with 20 years or more of service who are 55 or older are eligible for post-employment benefits. Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical benefits after pension benefit commencement. Survivors of covered members who die are eligible for medical benefits. Not all employers who participate in the retirement plans offer PEBB to their retirees.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. In calendar year 2022, the average weighted implicit subsidy was valued at $392 per adult unit per month. In calendar year 2023, the average weighted implicit subsidy is projected to be $421 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2023, the explicit subsidy was up to $183 per member per month, and it will remain $183 per member per month in calendar year 2024.

Upon retirement, members are permitted to receive medical benefits. Retirees pay the following monthly rates for pre-65 medical coverage for 2023:

2023 PEBB Retiree Monthly Premiums	Type of Coverage		
	Employee	Employee & Spouse	Full Family
Kaiser Permanente NW Classic	$ 841.77	$ 1,678.60	$ 2,306.22
Kaiser Permanente NW CDHP	700.40	1,394.08	1,870.59
Kaiser Permanente WA Classic	836.57	1,668.20	2,291.92
Kaiser Permanente WA CDHP	699.88	1,393.04	1,869.16
Kaiser Permanente WA Sound Choice	715.63	1,426.32	1,959.34
Kaiser Permanente WA Value	764.09	1,523.24	2,092.60
Uniform Medical Plan Classic	805.36	1,605.78	2,206.10
Uniform Medical Plan CDHP	704.42	1,402.12	1,881.65
Uniform Medical Plan Select	729.13	1,453.32	1,996.46
Uniform Medical Plan Plus	766.95	1,528.96	2,100.47

FUNDING POLICY

The PEBB OPEB plan is funded on a pay-as-you-go basis. The plan has no assets and does not issue a publicly available financial report.

Each participating employer in the plan is required to disclose additional information regarding the funding policy, the employer's annual OPEB costs and payments made, the funded status, and funding progress of the employer's individual plan, and the actuarial methods and assumptions used. For information on the results of an actuarial valuation for the OPEB plan, refer to:
https://leg.wa.gov/osa/additionalservices/pages/OPEB.aspx

To calculate the beginning total OPEB liability balance under GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*, an actuarial valuation was performed with a valuation date of July 1, 2022. This is the date the census data is gathered and the actuarial valuation is performed. The measurement date was August 31, 2022, which is the date the total OPEB liability was determined. GASB 75 allows a lag of up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The reporting date is August 31, 2023. The forward projection reflects the plan's assumed service cost, assumed interest, and expected benefit payments.

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

ASSUMPTIONS AND OTHER INPUTS

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial assumptions	
Inflation rate	2.35% per year
Projected salary increases	3.25% per year
Post-retirement participation	60%
Percentage with spouse coverage	45%

Mortality rates were based on Pub-2010 Healthy Teachers and Healthy General Mortality as shown in the 2013-2018 Experience Study by the Washington State Public Retirement Systems. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetimes.

In projecting the growth of the explicit subsidy, the cap is assumed to grow at the healthcare trend rate. The Legislature determines the value of the cap and no future increases are guaranteed, however based on historical growth patterns, future increases to the cap are assumed. The following represents the district's proportionate share of the total OPEB liability, calculated using the health care trend rates.

Sensitivity of the Healthcare Cost Trend Rate	
1% Decrease	$ 113,768,834
Current Healthcare Cost Trend Rate	133,533,864
1% Increase	158,979,627

Discount Rate. Since OPEB benefits are funded on a pay-as- you-go basis, the discount rate used to measure the total OPEB liability was set equal to the 20-year tax-exempt municipal bond yield, or 3.59% percent for the August 31, 2022, measurement date. The following represents the district's proportionate share of the total OPEB liability, calculated using the discount rate of 3.59%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.59%) or one percentage point higher (4.59%) than the current rate.

Sensitivity of the Discount Rate	
1% Decrease (2.59%)	$ 155,051,239
Current Discount Rate (1.59%)	133,533,864
1% Increase (4.59%)	116,124,412

Changes in assumptions resulted from a increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index discount rate resulting in an overall decrease in total OPEB liability for the measurement date of August 31, 2022. Additional details on assumptions and methods can be found on the Office of State Actuary's website: http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx.

As of August 31, 2023, the district reported a total OPEB liability of $133,533,864. This liability was determined based on a measurement date of August 31, 2022.

CHANGES IN TOTAL OPEB LIABILITY

The following table presents the change in the total OPEB liability as of the August 31, 2023, reporting date:

OPEB Liability	
Reported as of August 31, 2022	$ 222,325,439
Changes for the year	
Service Cost	11,865,962
Interest on total OPEB liability	4,957,659
Effect of plan changes	-
Effect of economic/demographic gains or losses	(24,114,745)
Effect of assumption changes or inputs	(76,423,388)
Expected benefit payments	(5,077,063)
Reported as of August 31, 2023	**$ 133,533,864**

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources. The following table shows components of the district's allocated annual OPEB costs reported for fiscal year 2022-2023. The district will recognize OPEB expense of $4,621,428.

OPEB Expense	
Service cost	$ 11,865,962
Interest on total OPEB liability	4,957,659
Effect of plan changes	-
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	(3,776,104)
Recognition of assumption changes or inputs	(8,426,089)
Total OPEB Expense	**$ 4,621,428**

On August 31, 2023, the district reported its share of the deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ (27,120,785)	$ -
Changes of assumptions	(80,278,631)	19,307,178
Payments made subsequent to measurement date	N/A	4,922,114
Total	**$ (107,399,416)**	**$ 24,229,292**

Per paragraph 159 of GASB 75, deferred outflows of resources should be reported for benefits that come due subsequent to the measurement date, but prior to the reporting date. $4,922,114 reported as deferred outflows of resources resulting from employer payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense in the fiscal years ended August 31 as shown. Note that additional future deferred inflows and outflows of resources may impact these numbers. Payments made subsequent to the measurement date are expected benefit payments in the year between the measurement date and the reporting date.

Future OPEB expense	
Fiscal Year ended August 31,	
2023	$ (12,202,193)
2024	(11,397,579)
2025	(9,520,143)
2026	(8,850,563)
2027	(11,410,111)
Thereafter	(34,711,649)

A complete description of the funded status and actuarial assumptions of the State of Washington's OPEB plan is included in the Annual Comprehensive Financial Report for the State of Washington. A copy of the report may be obtained by contacting the Statewide Accounting Division of the Office of Financial Management at P.O. Box 43127, Olympia, Washington 98504-3127, or online at: https://ofm.wa.gov/accounting/financial-audit-reports/annual-comprehensive-financial-report.

NOTE 11 CONTINGENT LIABILITIES

The district receives federal and state grants for specific programs. Both types of grants are subject to audit by the Washington State Auditor's Office. Such audits could result in request for reimbursement to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, the district believes that such allowances, if any, will be immaterial.

NOTE 12 LITIGATION

The district is defending against several lawsuits and claims, which are routine in nature and common to school districts. The majority of possible losses from these lawsuits and claims are provided for by coverage through the Washington Schools Risk Management Pool. Based on the recommendations of counsel, the district has provided an adequate amount for any uninsured losses which might arise during the current and next annual reporting period from such lawsuits and claims.

REQUIRED SUPPLEMENTARY INFORMATION

TACOMA SCHOOL DISTRICT No. 10

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

	BUDGETED AMOUNTS			VARIANCE FROM FINAL BUDGET
	ORIGINAL *	FINAL *	ACTUAL AMOUNT	POSITIVE (NEGATIVE)
REVENUES				
Local	$ 87,200,178	$ 87,200,178	$ 82,256,530	$ (4,943,648)
State	387,181,876	387,181,876	365,922,028	(21,259,848)
Federal	90,124,378	90,124,378	75,949,612	(14,174,766)
Other	3,861,613	3,861,613	6,263,705	2,402,092
TOTAL REVENUES	**568,368,045**	**568,368,045**	**530,391,875**	**(37,976,170)**
EXPENDITURES				
Current:				
Regular Instruction	291,066,667	291,066,667	281,437,422	9,629,245
Federal Special Purpose Funding	53,801,530	53,801,530	27,570,039	26,231,491
Special Education	64,172,384	64,172,384	72,363,184	(8,190,800)
Career & Technical Education	19,801,531	19,801,531	18,391,662	1,409,869
Compensatory Education	45,148,130	45,148,130	46,035,132	(887,002)
Other Instructional Programs	13,219,998	13,219,998	3,037,449	10,182,549
Community Services	5,778,142	5,778,142	5,990,260	(212,118)
Support Services	105,555,602	105,555,602	106,253,107	(697,505)
Capital Outlay				
Other	-	-	2,533,948	(2,533,948)
Debt Service - Leases				
Principal	-	-	793,499	(793,499)
Interest	-	-	17,906	(17,906)
TOTAL EXPENDITURES	**598,543,984**	**598,543,984**	**564,423,607**	**34,120,377**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**(30,175,939)**	**(30,175,939)**	**(34,031,733)**	**(3,855,794)**
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	-	-	173,607	173,607
Transfers Out	-	-	1,359,298	1,359,298
Transfers In	3,000,000	3,000,000	5,407,392	2,407,392
TOTAL OTHER FINANCING SOURCES (USES)	**3,000,000**	**3,000,000**	**6,940,296**	**3,940,296**
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	**(27,175,939)**	**(27,175,939)**	**(27,091,436)**	**84,503**
FUND BALANCE - September 1	60,819,684	55,513,851	44,334,490	(11,179,361)
FUND BALANCE - August 31	**$ 33,643,745**	**$ 28,337,912**	**$ 17,243,053**	**$ (11,094,859)**

* The budgetary basis of accounting is modified accrual, the same as the fund basis of accounting.

REQUIRED SUPPLEMENTARY INFORMATION

TACOMA SCHOOL DISTRICT No. 10

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND (ASSOCIATED STUDENT BODY FUND)
FOR THE FISCAL YEAR ENDED AUGUST 31, 2023

	BUDGETED AMOUNTS			
	ORIGINAL *	FINAL *	ACTUAL AMOUNT	VARIANCE FROM FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
General	$ 1,124,200	$ 1,124,200	$ 573,770	$ (550,430)
Athletics	1,127,700	1,127,700	405,046	(722,654)
Classes	383,800	383,800	180,124	(203,676)
Clubs	1,581,200	1,581,200	442,434	(1,138,766)
Private Monies	74,300	74,300	17,171	(57,129)
TOTAL REVENUES	**4,291,200**	**4,291,200**	**1,618,545**	**(2,672,655)**
EXPENDITURES				
General	982,700	982,700	434,102	548,598
Athletics	1,046,800	1,046,800	379,803	666,997
Classes	361,300	361,300	177,655	183,645
Clubs	1,560,600	1,560,600	415,579	1,145,021
Private Monies	92,200	92,200	30,130	62,070
TOTAL EXPENDITURES	**4,043,600**	**4,043,600**	**1,437,269**	**2,606,331**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**247,600**	**247,600**	**181,276**	**(66,324)**
FUND BALANCE - September 1	**1,902,800**	**1,902,800**	**2,018,843**	**116,043**
FUND BALANCE - August 31	**$ 2,150,400**	**$ 2,150,400**	**$ 2,200,119**	**$ 49,719**

* The budgetary basis of accounting is modified accrual, the same as the fund basis of accounting.

REQUIRED SUPPLEMENTARY INFORMATION

TACOMA SCHOOL DISTRICT No. 10

SCHEDULE OF CHANGES IN TOTAL REPORTED OPEB LIABILITY AND RELATED RATIOS

LAST 10 FISCAL YEARS *

	FOR REPORTING YEAR ENDED AUGUST 31					
	2018	**2019**	**2020**	**2021**	**2022**	**2023**
TOTAL OPEB LIABILITY - September 1	$ 173,580,758	$ 164,223,379	$ 166,629,215	$ 211,144,129	$ 208,818,780	$ 222,325,439
Service cost	9,660,446	8,231,336	8,205,259	11,388,588	11,261,911	11,865,962
Interest on total liability	5,154,411	5,985,794	6,839,291	6,538,779	4,788,329	4,957,659
Changes of benefit terms	-	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	(2,750,298)	-	(6,887,944)	-	(24,114,745)
Effect of assumption changes or inputs	(20,651,786)	(5,189,054)	33,751,543	(8,586,189)	2,341,851	(76,423,388)
Expected benefit payments	(3,520,450)	(3,871,942)	(4,281,179)	(4,778,583)	(4,885,432)	(5,077,063)
Net change in total OPEB liability	(9,357,379)	2,405,836	44,514,914	(2,325,349)	13,506,659	(88,791,575)
TOTAL OPEB LIABILITY - August 31	$ 164,223,379	$ 166,629,215	$ 211,144,129	$ 208,818,780	$ 222,325,439	$ 133,533,864
Covered employee payroll	$ 255,861,623	$ 267,277,564	297,560,708	300,035,190	303,589,131	334,895,540
Total OPEB liability as a % of employee covered payroll	64.18%	62.34%	70.96%	69.60%	73.23%	39.87%

* This schedule is to be built prospectively until it contains 10 years of data.
No assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75

REQUIRED SUPPLEMENTARY INFORMATION

TACOMA SCHOOL DISTRICT No. 10

SCHEDULE OF THE DISTRICT'S PROPORTIONAL SHARE OF THE NET PENSION LIABILITY / (ASSET)

LAST 10 FISCAL YEARS *

	AS OF JUNE 30TH								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
PERS 1									
District's proportion of the net pension liability/(asset)	0.477932%	0.481418%	0.512630%	0.512281%	0.529119%	0.501862%	0.482489%	0.550258%	0.500395%
District's proportionate share of the net pension liability/(asset)	$ 25,000,282	$ 25,854,426	$ 24,324,672	$ 22,878,660	$ 20,346,519	$ 17,718,422	$ 5,892,317	$ 15,321,204	$ 11,422,673
District's covered payroll	$ 1,460,940	$ 1,191,024	$ 63,818,914	$ 67,759,077	$ 73,579,452	$ 73,277,861	$ 72,036,829	$ 85,112,203	$ 88,596,668
District's propotionate share of the net pension liability/(asset) as a percentage of its covered payroll	1711.25%	2170.77%	38.12%	33.76%	27.65%	24.18%	8.18%	18.00%	12.89%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%	80.16%
SERS 2/3									
District's proportion of the net pension liability/(asset)	3.004269%	3.030082%	3.049930%	3.029601%	2.995486%	2.816577%	2.852047%	2.968113%	2.806875%
District's proportionate share of the net pension liability/(asset)	$ 12,201,867	$ 19,900,581	$ 15,050,642	$ 9,060,384	$ 7,024,354	$ 14,983,175	$ (30,622,344)	$ (7,973,837)	$ (4,017,873)
District's covered payroll	$ 51,718,906	$ 56,306,976	$ 62,807,512	$ 66,936,774	$ 72,879,090	$ 72,730,579	$ 71,509,480	$ 84,617,564	$ 88,243,457
District's propotionate share of the net pension liability/(asset) as a percentage of its covered payroll	23.59%	35.34%	24.16%	13.54%	9.64%	20.60%	-42.82%	-9.42%	-4.55%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	90.92%	86.52%	90.79%	94.77%	96.31%	92.45%	114.15%	103.17%	101.54%
TRS 1									
District's proportion of the net pension liability/(asset)	3.282951%	3.234132%	3.180226%	3.121342%	3.058799%	2.942066%	2.956516%	3.073082%	2.927748%
District's proportionate share of the net pension liability/(asset)	$ 104,008,565	$ 110,420,948	$ 96,146,769	$ 91,161,668	$ 75,729,836	$ 70,868,076	$ 19,906,161	$ 58,444,800	$ 37,080,429
District's covered payroll	$ 5,368,779	$ 3,662,363	$ 176,188,324	$ 184,637,237	$ 206,247,360	$ 214,698,155	$ 220,570,385	$ 244,499,251	$ 245,804,888
District's propotionate share of the net pension liability/(asset) as a percentage of its covered payroll	1937.29%	3015.02%	54.63%	49.37%	36.72%	33.01%	9.02%	23.90%	15.09%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	65.70%	62.07%	65.58%	66.52%	70.37%	70.55%	91.42%	78.24%	85.09%
TRS 2/3									
District's proportion of the net pension liability/(asset)	3.207000%	3.198686%	3.164840%	3.123073%	3.063908%	2.946767%	2.959869%	3.082028%	2.917119%
District's proportionate share of the net pension liability/(asset)	$ 27,060,729	$ 43,927,460	$ 29,209,667	$ 14,057,390	$ 18,461,089	$ 45,261,774	$ (81,361,073)	$ (6,065,000)	$ (3,582,659)
District's covered payroll	$ 150,091,121	$ 160,575,063	$ 173,807,441	$ 183,213,142	$ 205,305,423	$ 214,018,302	$ 220,093,188	$ 244,305,313	$ 245,221,067
District's propotionate share of the net pension liability/(asset) as a percentage of its covered payroll	18.03%	27.36%	16.83%	7.67%	8.99%	21.15%	-36.97%	-2.48%	-1.46%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	92.48%	88.72%	93.14%	96.88%	96.36%	91.72%	113.72%	100.86%	100.49%

* This schedule is to be built prospectively until it contains 10 years of data.

REQUIRED SUPPLEMENTARY INFORMATION

TACOMA SCHOOL DISTRICT No. 10

PENSION PLAN SCHEDULE OF DISTRICT CONTRIBUTIONS

LAST 10 FISCAL YEARS *

	AS OF AUGUST 31ST								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
PERS 1									
Contractually required contribution	$ 2,196,565	$ 2,725,078	$ 3,062,524	$ 3,439,664	$ 3,791,211	$ 3,637,221	$ 3,593,995	$ 3,372,325	$ 3,409,854
Contributions in relation to the contractually required contributions	2,196,565	2,725,078	$ 3,062,524	$ 3,439,664	$ 3,791,211	$ 3,637,221	$ 3,593,995	$ 3,372,325	$ 3,409,854
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
District's covered payroll	$ 1,460,940	$ 1,121,556	$ 64,817,021	$ 68,022,470	$ 74,530,414	$ 72,779,010	$ 61,307,145	$ 81,441,651	$ 95,616,368
Contribution as a percentage of covered payroll	150.35%	242.97%	4.72%	5.06%	5.09%	5.00%	5.86%	4.14%	3.57%
SERS 2/3									
Contractually required contribution	$ 2,920,801	$ 3,850,297	$ 4,249,235	$ 5,523,532	$ 6,136,561	$ 6,090,677	$ 6,005,008	$ 6,643,149	$ 6,845,441
Contributions in relation to the contractually required contributions	2,920,801	3,850,297	$ 4,249,235	$ 5,523,532	$ 6,136,561	$ 6,090,677	$ 6,005,008	$ 6,643,149	$ 6,845,441
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
District's covered payroll	$ 51,718,906	$ 57,265,517	$ 63,845,221	$ 67,205,486	$ 73,853,416	$ 72,248,702	$ 60,862,992	$ 80,992,225	$ 95,234,339
Contribution as a percentage of covered payroll	5.65%	6.72%	6.66%	8.22%	8.31%	8.43%	9.87%	8.20%	7.19%
TRS 1									
Contractually required contribution	$ 7,346,486	$ 9,846,959	$ 11,107,688	$ 12,962,930	$ 15,180,259	$ 15,450,317	$ 16,249,557	$ 15,769,488	$ 15,801,702
Contributions in relation to the contractually required contributions	7,346,486	9,846,959	$ 11,107,688	$ 12,962,930	$ 15,180,259	$ 15,450,317	$ 16,249,557	$ 15,769,488	$ 15,801,702
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
District's covered payroll	$ 5,368,779	$ 3,294,657	$ 178,267,388	$ 173,962,768	$ 210,805,272	$ 216,271,000	$ 223,278,015	$ 236,992,262	$ 259,703,550
Contribution as a percentage of covered payroll	136.84%	298.88%	6.23%	7.45%	7.20%	7.14%	7.28%	6.65%	6.08%
TRS 2/3									
Contractually required contribution	$ 8,522,516	$ 11,602,040	$ 11,950,960	$ 14,712,494	$ 16,709,282	$ 17,145,466	$ 17,912,080	$ 19,713,149	$ 19,739,180
Contributions in relation to the contractually required contributions	8,522,516	11,602,040	$ 11,950,960	$ 14,712,494	$ 16,709,282	$ 17,145,466	$ 17,912,080	$ 19,713,149	$ 19,739,180
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
District's covered payroll	$ 150,091,121	$ 162,475,444	$ 176,049,367	$ 172,715,474	$ 209,933,557	$ 215,631,970	$ 222,826,121	$ 236,567,261	$ 259,363,537
Contribution as a percentage of covered payroll	5.68%	7.14%	6.79%	8.52%	7.96%	7.95%	8.04%	8.33%	7.61%

* This schedule is to be built prospectively until it contains 10 years of data.

REQUIRED SUPPLEMENTARY INFORMATION

TACOMA SCHOOL DISTRICT No. 10

SCHEDULE OF DISTRICT CONTRIBUTIONS - NON-GOVERNMENTAL PENSION PLANS
LAST 10 FISCAL YEARS *

FOR REPORTING YEAR ENDED AUGUST 31

	2017	2018	2019	2020	2021	2022	2023
National Roofing Industry Pension Fund							
Total Contribution	$ 12,381	$ 11,887	$ 10,559	$ 5,382	$ 5,692	$ 10,384	$ 12,218
Carpenters Retirement Plan of Western Washington							
Total Contribution	$ 94,871	$ 98,674	$ 110,700	$ 99,277	$ 107,307	$ 131,334	$ 132,595
Western Washington Laborers Employers Pension Plan							
Total Contribution	$ 154,903	$ 154,309	$ 168,603	$ 162,532	$ 151,922	$ 188,309	$ 165,530
Central Pension Fund of the IUOE							
Total Contribution	$ -	$ 905,425	$ 894,138	$ 884,194	$ 829,089	$ 878,383	$ 900,770
IBEW Pacific Coast Pension Fund							
Total Contribution	$ -	$ 87,039	$ 76,401	$ 94,349	$ 92,760	$ 89,697	$ 94,306
Western Washington Glaziers Retirement Plan							
Total Contribution	$ -	$ 20,323	$ 21,622	$ 24,024	$ 24,804	$ 26,498	$ 27,468
Plumbers & Pipefitters National Pension Fund							
Total Contribution	$ -	$ 66,481	$ 66,408	$ 54,630	$ 59,467	$ 59,154	$ 61,324
WA State Plumbing & Pipefitting Pension Fund							
Total Contribution	$ -	$ 51,992	$ 51,934	$ 47,598	$ 60,992	$ 60,671	$ 62,114
Western Conference of Teamsters Pension Plan							
Total Contribution	$ -	$ 83,131	$ 78,567	$ 70,747	$ 68,843	$ 68,989	$ 71,649
International Painters & Allied Trades Industry Pension Plan							
Total Contribution	$ -	$ 22,796	$ 18,768	$ 13,422	$ 11,955	$ 17,460	$ 15,021
Sheet Metal Workers National Pension Fund							
Total Contribution	$ -	$ 7,263	$ 5,965	$ 81	$ -	$ -	$ -
Northwest Sheet Metal Workers Pension Plan							
Total Contribution	$ -	$ 5,188	$ 4,385	$ 58	$ -	$ -	$ -
IUOE Local 302/612 Employers Construction Industry Ret. Plan							
Total Contribution	$ -	$ 5,131	$ 4,137	$ 3,736	$ 5,056	$ 4,243	$ 3,911

* This schedule is to be built prospectively until it contains 10 years of data.

Tacoma School District No. 10
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	School Breakfast Program	10.553	237WAWA3N1199	3,697,849	-	3,697,849	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	237WAWA3N1199	8,226,399	-	8,226,399	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	237WAWA3N8903	858,022	-	858,022	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	National School Lunch Program	10.555	207WAWA3N1099	1,045,377	-	1,045,377	-	5
			Total ALN 10.555:	**10,129,798**	**-**	**10,129,798**	**-**	
			Total Child Nutrition Cluster:	**13,827,647**	**-**	**13,827,647**	**-**	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA OSPI)	Child and Adult Care Food Program	10.558	237WAWA3N1199	54,397	-	54,397	-	
Forest Service Schools and Roads Cluster								
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via Office of State Treasurer)	Schools and Roads - Grants to States	10.665	N/A	68,598	-	68,598	-	
			Total Forest Service Schools and Roads Cluster:	**68,598**	**-**	**68,598**	**-**	
DEPARTMENT OF DEFENSE	JROTC	12.U01	WA030389	-	76,789	76,789	-	

The accompanying notes are an integral part of this schedule.

Tacoma School District No. 10
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
DEPARTMENT OF DEFENSE	JROTC	12.U02	WA030390	-	47,830	47,830	-	
DEPARTMENT OF DEFENSE	JROTC	12.U03	JROTC213S/JROTC224S/JROTC232S/JROTC233S	-	60,979	60,979	-	
DEPARTMENT OF DEFENSE	JROTC	12.U04	N3951723MJRTC	-	15,940	15,940	-	
DEPARTMENT OF DEFENSE	JROTC	12.U05	N3951723MJRTC	-	1,127	1,127	-	
DEPARTMENT OF DEFENSE	JROTC	12.U06	WA030941	-	75,476	75,476	-	
DEPARTMENT OF DEFENSE	JROTC	12.U07	WA030237	-	38,195	38,195	-	
ENERGY, DEPARTMENT OF, ENERGY, DEPARTMENT OF (via WA State Dept of Commerce)	State Energy Program	81.041	F21-92501-018	14,938	-	14,938	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270435	69,495	-	69,495	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270431	72,692	-	72,692	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270432	74,144	-	74,144	-	

The accompanying notes are an integral part of this schedule.

Tacoma School District No. 10
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270434	68,663	-	68,663	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0271155	38,067	-	38,067	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270433	75,855	-	75,855	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0271515	28,934	-	28,934	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	#0270620	57,372	-	57,372	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	GT-00283	9,421,030	-	9,421,030	-	6
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	EGMS ID/AP-OSPI-1577	19,730	-	19,730	-	6
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I Grants to Local Educational Agencies	84.010	GT-00283	109,453	-	109,453	-	
			Total ALN 84.010:	**10,035,435**	**-**	**10,035,435**	-	

The accompanying notes are an integral part of this schedule.

Tacoma School District No. 10
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	GT-00283	189,348	-	189,348	-	
Special Education Cluster (IDEA)								
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Special Education Grants to States	84.027	84.027X/#0312 327	1,370,623	-	1,370,623	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Special Education Grants to States	84.027	84.027A/#0371 292	130,266	-	130,266	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	84.027A/#0307 750	6,927,515	-	6,927,515	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Grants to States	84.027	GT-00724	373,856	-	373,856	-	
			Total ALN 84.027:	**8,802,260**	**-**	**8,802,260**	-	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES, EDUCATION, DEPARTMENT OF (via WA OSPI)	Special Education Preschool Grants	84.173	#0367142	234,579	-	234,579	-	
			Total Special Education Cluster (IDEA):	**9,036,839**	**-**	**9,036,839**	-	

The accompanying notes are an integral part of this schedule.

Tacoma School District No. 10
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
Office of Career, Technical, and Adult Education, EDUCATION, DEPARTMENT OF (via WA OSPI)	Career and Technical Education -- Basic Grants to States	84.048	#0176124	263,767	-	263,767	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Indian Education Grants to Local Educational Agencies	84.060		-	239,262	239,262	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	Indian Education Grants to Local Educational Agencies	84.060		-	21,917	21,917	-	
			Total ALN 84.060:	**-**	**261,179**	**261,179**	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	School Safely National Activities	84.184		-	78,811	78,811	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Education for Homeless Children and Youth	84.196	#0457591	68,000	-	68,000	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	English Language Acquisition State Grants	84.365	GT-00283	451,921	-	451,921	-	
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	GT-00283	1,022,155	-	1,022,155	-	

The accompanying notes are an integral part of this schedule.

Tacoma School District No. 10
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION, EDUCATION, DEPARTMENT OF (via WA OSPI)	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	84.367A/#0540 213	21,593	-	21,593	-	
			Total ALN 84.367:	**1,043,748**	**-**	**1,043,748**	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	Student Support and Academic Enrichment Program	84.424	GT-00283	809,082	-	809,082	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D/S425D 210015	470,445	-	470,445	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D/S425D 210015	1,114,227	-	1,114,227	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D/S425D 210015	38,378	-	38,378	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D/#0143 126	13,218	-	13,218	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D/#0140 564	48,937	-	48,937	-	

The accompanying notes are an integral part of this schedule.

Tacoma School District No. 10
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D/#0135909	4,453	-	4,453	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U/#0142523	59,949	-	59,949	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U/#0142155	261,017	-	261,017	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U/#0144918	33,000	-	33,000	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U/#0140050	48,788	-	48,788	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U/#0140674	27,901	-	27,901	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425W/#0459037	17,387	-	17,387	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425W/#0459616	183,231	-	183,231	-	

The accompanying notes are an integral part of this schedule.

Tacoma School District No. 10
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D/#0120496	10,730	-	10,730	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425D/#0120496	420	-	420	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U/#0138223	24,889,635	-	24,889,635	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.425U/#0138223	1,691,070	-	1,691,070	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.4525U/#0137231	9,010,994	-	9,010,994	-	
EDUCATION, DEPARTMENT OF, EDUCATION, DEPARTMENT OF (via WA OSPI)	COVID 19 - Education Stabilization Fund	84.425	84.4525U/#0137231	905,605	-	905,605	-	
			Total ALN 84.425:	**38,829,385**	**-**	**38,829,385**	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA OSPI)	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	#0900217	14,287	-	14,287	-	
Head Start Cluster								

The accompanying notes are an integral part of this schedule.

Tacoma School District No. 10
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Passed through to Subrecipients	Note
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600		-	6,663,604	6,663,604	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600		-	73,074	73,074	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Head Start	93.600		-	577,348	577,348	-	
			Total Head Start Cluster:	**-**	**7,314,026**	**7,314,026**	-	
			Total Federal Awards Expended:	**74,707,392**	**7,970,352**	**82,677,744**	**-**	

The accompanying notes are an integral part of this schedule.

Tacoma School District

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2023

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the Tacoma School District's financial statements. The Tacoma School District uses the accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched for non-federal sources.

Note 2 – Federal De Minimis Indirect Cost Rate

The Tacoma School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The Tacoma School District used the federal restricted rate of 4.81% and unrestricted rate of 10.05%.

Note 4 – Program Costs/Matching Contributions

The amounts shown as current year expenses represent only the federal award portion of the program costs. Entire program costs, including the Tacoma School District's local matching share, may be more than shown. Such expenditures are recognized following, the cost principles contained in the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 5 – Noncash Awards

The amount of commodities reported on the schedule is the value of commodities distributed by the Tacoma School District during the current year and priced as prescribed by the USDA.

Note 6 – Schoolwide Programs

The Tacoma School District operates a schoolwide program in twenty-two elementary schools, six middle schools, two high schools, and two alternative high school. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limit services to certain targeted students. The following federal program amounts were expended by the Tacoma School District in its school wide program. Title I (84.010) expended $7,641,595.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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- Learn about our training workshops and on-demand videos
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- Main telephone: (564) 999-0950
- Toll-free Citizen Hotline: (866) 902-3900
- Email: webmaster@sao.wa.gov

Appendix D

Washington State School District Credit Enhancement Program

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WASHINGTON STATE SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM

The following information has been furnished by the State of Washington for use in this Official Statement. The issuer of the bonds offered pursuant to this Official Statement (the "Offered Bonds") makes no representation as to the accuracy or the completeness of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

Definitions

"Act" means the Washington State School District Credit Enhancement Program Act, chapter 39.98 Revised Code of Washington.

"Program" means the Washington State School District Credit Enhancement Program established by the Act.

"Program Bond" means any validly issued voted general obligation bond issued by a school district, holding a certificate issued pursuant to the Act for such a bond.

"State" means the State of Washington.

Program Provisions

Article VIII, section 1(e) of the Constitution of the State and the Act allow the State to guarantee any voted general obligation bonds issued by a school district. Payment of the principal of and interest on Program Bonds when due is guaranteed by the full faith, credit and taxing power of the State under the provisions of the Act. The Act provides as follows:

> The full faith, credit, and taxing power of the State is pledged to guarantee full and timely payment of the principal of and interest on Program Bonds as such payments become due. However, in the event of any acceleration of the due date of the principal by reason of mandatory redemption or acceleration resulting from default, the payments guaranteed shall be made in the amounts and at the times as payments of principal would have been due had there not been any acceleration. The State guarantee does not extend to the payment of any redemption premium.

The Act further provides that the State pledges to and agrees with the owners of any Program Bonds that the State will not alter, impair, or limit the rights vested by the Program with respect to the Program Bonds until the Program Bonds, together with applicable interest, are fully paid and discharged. However, an alteration, impairment, or limitation of such rights is not precluded if full provision is made by law for the payment of the Program Bonds.

Program Procedures

In accordance with applicable law, each school district with outstanding, unpaid Program Bonds is required to levy property taxes approved by the voters for repayment of the Program Bonds and certify the taxes to the County Assessor. In accordance with applicable law, the County Treasurer for each school district with outstanding, unpaid Program Bonds is required to collect property taxes approved by the voters for repayment of the Program Bonds.

Under the Act, the County Treasurer is required to transfer money sufficient for each scheduled debt service payment to the paying agent on or before any principal or interest payment date for the Program Bonds.

A County Treasurer who is unable to transfer to the paying agent funds required to make any scheduled debt service payments on the Program Bonds on or prior to the payment date is required to immediately provide notice to the State Treasurer and to the paying agent. If sufficient funds are not transferred to the paying agent at the time required to make a scheduled debt service payment on the Program Bonds, the paying agent is required to immediately notify the State Treasurer.

Pursuant to the Act, the State legislature is required to appropriate, in each and every biennial appropriations act, such amount as may be required to make timely payment on the Program Bonds. If sufficient money to make any scheduled debt service payment on the Program Bonds has not been transferred to the paying agent in a timely manner, the State Treasurer is required to transfer sufficient money to the paying agent for such payment and the paying agent is required to make such scheduled debt service payment.

Each school district is responsible for paying in full the principal of and interest on its Program Bonds. The State Treasurer is required to recover from the school district any funds paid by the State on behalf of that school district under the Program. A payment by the State Treasurer discharges the obligation of the school district to its Program Bond owners for the payment, but does not retire any Program Bond that has matured. The terms of that Program Bond remain in effect until the State is repaid. Any such payment by the State transfers the rights represented by the general obligation of the school district from the Program Bond owners to the State.

If the State has made all or part of a debt service payment on behalf of a school district that has issued Program Bonds, the State Treasurer may (a) direct the school district and the County Treasurer to restructure and revise, to the extent permitted by law, the collection of excess levy taxes for the payment of Program Bonds on which the State Treasurer has made payments under the Act to the extent necessary to obtain repayment to the State Treasurer; and (b) require, to the extent permitted by law, that the proceeds of such taxes be applied to the school district's obligations to the State if all outstanding obligations of the school district payable from such taxes are fully paid or their payment is fully provided for.

A summary of key statistics and other information regarding the Program is included in Appendix A of each Official Statement published by the State periodically throughout the year. The most recently published Official Statement may be obtained by accessing the links to the State's Electronic Municipal Market Access ("EMMA") issuer page available on the State Treasurer's "Debt Management – State Debt Information" webpage under "Continuing Disclosure": https://tre.wa.gov/home/debt-management/debt-information/. Links to currently-available Preliminary Official Statements for upcoming bond and certificate sales are available at: https://tre.wa.gov/home/debt-management/investor-information/official-statements-bonds/. Information on those webpages other than the links to the Preliminary Official Statements and final Official Statements are not incorporated by reference. The information in those linked documents speaks only of those documents' respective dates and no representation is made that the information has not changed between those posting dates and the date of this Appendix.

Program Contact Person

Requests for information regarding the Program may be directed to:

School Bond Guarantee Program
Office of the State Treasurer
Legislative Office Building 2nd Floor
P.O. Box 40200
Olympia, WA 98504 0200
Phone: (360) 902-9000 Fax: (360) 902-9045

State of Washington - Financial and Operating Information

The State's most recent audited financial statements and the financial and operating information relating to the State included in the most recent official statement for the State's general obligation debt are on file with the Municipal Securities Rulemaking Board (the "MSRB"), in an electronic format as prescribed by the MSRB, and are incorporated by this reference in this official statement. Currently, the State's latest audited financials and historical financial and operating information may be found on the EMMA website under base-6 CUSIP number 93974D. The State's financial statements and official statement are dated and speak only as of their respective dates.

Except as provided in a written Continuing Disclosure Agreement, the State does not undertake to update this information. Ongoing updates of information will be available on EMMA by searching the base-6 CUSIP number provided above (or such other base-6 CUSIP numbers as may be assigned to general obligation debt of the State in the future).

State of Washington - Continuing Disclosure

The State has executed a master Continuing Disclosure Certificate (the "School Bond Guarantee Program Undertaking" or "SBGP Undertaking") as an obligated person with respect to bonds guaranteed through the Program, including the Offered Bonds. A copy of the State's SBGP Undertaking is attached on the following page.

State's Compliance with Prior State Undertakings. Except as described below, the State has not identified any failure within the past five years to comply in any material respect with its prior undertakings. In the filing of financial statements and operating data pertaining to the fiscal year ended June 30, 2020, the State's timely annual filing was not linked to a newly assigned CUSIP number created in connection with a defeasance in October 2020 of a portion of the State’s Motor Vehicle Fuel Tax General Obligations Bonds (SR 520 Corridor Project – Toll Revenue), Series 2012C). The new CUSIP number was assigned to the undefeased portion of the June 2021 maturity of those Series 2012C Bonds, which portion was itself defeased in May 2021.

The State also notes that with respect to its SBGP Undertaking, it has historically relied upon filings linked to the CUSIP numbers of its general obligation bonds to satisfy its prior State Undertakings, but has since determined to amend its procedures to begin linking its filings to the CUSIPs for Program Bonds.

The State also notes that, with respect to compliance with filing requirements for events described in clauses (15) and (16) under Securities and Exchange Commission Rule 15c2-12, as amended, which became effective for continuing disclosure agreements executed on or after February 27, 2019, the State has implemented procedures to identify these events and make timely filings, which procedures rely on interpretations of the new regulations that it believes to be reasonable. However, due to the evolving nature of interpretation of these new events, the State’s representation regarding compliance with these new events is limited to and is based solely on its reasonable interpretation of the new regulation.

WASHINGTON STATE SCHOOL DISTRICT CREDIT ENHANCEMENT PROGRAM
CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "School Bond Guarantee Program Undertaking" or "SBGP Undertaking") is made by the State of Washington, acting by and through its State Treasurer (the "State"), as an obligated person with respect to the Program Bonds, for the benefit of the holders of the Program Bonds in accordance with paragraph (b)(5) of Securities and Exchange Commission (the "SEC") of Rule 15c2-12 promulgated by the under the Securities Exchange Act of 1934, as amended (the "Rule").

Annual Disclosure Report. The State hereby covenants and agrees that not later than seven months after the end of each State fiscal year (the "Submission Date") until the Offered Bonds are no longer outstanding, the State shall provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the "MSRB"), in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB, an annual report (the "Annual Disclosure Report"), which shall consist of:

(1) Audited financial statements of the State for such State fiscal year prepared (except as noted therein) in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board, as such principles may be changed from time to time, except that if the audited financial statements are not available by the Submission Date, the Annual Disclosure Report shall contain unaudited financial statements in a format similar to the audited financial statements most recently prepared for the State, and the State's audited financial statements shall be filed in the same manner as the Annual Disclosure Report when and if they become available; and

(2) Historical financial and operating data for the State of the type set forth in Appendix A to the most recently posted Official Statement for bonds issued by the State, which is regularly updated and may involve adding additional financial and operating data, displaying data in a different format, or eliminating data that are no longer material.

Any or all of the items listed above may be included by specific reference to other documents available to the public on the Internet website of the MSRB or filed with the SEC. The State will clearly identify each document so included by reference. The MSRB makes continuing disclosure information submitted to it publicly available on the Internet on its Electronic Municipal Market Access ("EMMA") system website.

The Annual Disclosure Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided herein; provided, that any audited financial statements may be submitted separately from the balance of the Annual Disclosure Report and later than the Submission Date if such statements are not available by the Submission Date.

The State's fiscal year currently ends on June 30. If the State's fiscal year changes, the State may adjust the Submission Date by giving notice of the change in the same manner as notice is to be given of the occurrence of a Listed Event described below.

The State agrees to provide or cause to be provided to the MSRB, in a timely manner, notice of its failure to provide the Annual Disclosure Report on or prior to the Submission Date.

State Listed Events. The State further agrees to provide or cause to be provided to the MSRB, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of either of the following two listed events:

(15) Incurrence of a financial obligation of the State, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the State, any of which affect Bond holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the State, any of which reflect financial difficulties.

The term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Additional Information. Nothing in this SBGP Undertaking shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this SBGP Undertaking or any other means of communication, in addition to that which is required by this SBGP Undertaking. If the State chooses to include any information in addition to that specifically required by this SBGP Undertaking, the State shall have no obligation to update such information.

Limitation on Scope of SBGP Undertaking. Notwithstanding anything expressed or implied to the contrary herein, the State makes no undertaking to provide disclosure of financial information or operating data or notice of any events on behalf of or with respect to school districts participating in the Program. Any such information is to be provided according to the terms of separate continuing disclosure undertakings executed and delivered by such school districts. The State is not responsible for the adequacy, accuracy, or timeliness of such information, and any failure by a school district to comply with its undertaking shall not constitute a failure by the State to comply with its SBGP Undertaking.

Amendment. The State may amend this SBGP Undertaking without the consent of any holder of any Program Bond (including the Offered Bonds) or any other person or entity under the circumstances and in the manner permitted by the Rule. The State shall give notice to the MSRB of the substance of any such amendment, including a brief statement of the reasons therefor. If the amendment changes the type of Annual Disclosure Report to be provided, the Annual Disclosure Report containing the amended financial information shall include a narrative explanation of the effect of that change on the type of information to be provided (or in the case of a change of accounting principles, the presentation of such information). In addition, in the event of a change in the accounting principles to be followed in preparing financial statements, the Annual Disclosure Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Termination. The State's obligations under this SBGP Undertaking shall terminate upon the legal defeasance, prior prepayment, or payment in full of all of the Offered Bonds. This SBGP Undertaking, or any provision hereof, shall be null and void if the State (1) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this SBGP Undertaking, or such any such provision, have been repealed retroactively or otherwise do not apply to the Program Bonds, and (2) notifies the MSRB of such opinion and the cancellation of this SBGP Undertaking.

Beneficiaries. The right to enforce the provisions of this SBGP Undertaking shall be limited to a right to obtain specific performance of the State's obligations hereunder, and any failure by the State to comply with the provisions of this SBGP Undertaking shall not be a default with respect to the Offered Bonds or any other Program Bonds. This SBGP Undertaking inures to the benefit of the State and the issuer, any underwriter, and any holder of the Program Bonds, and does not inure to the benefit of or create any rights in any other person.

REVISED 6-6-22

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TACOMA SCHOOL DISTRICT NO. 10, PIERCE COUNTY, WASHINGTON • UNLIMITED TAX GENERAL OBLIGATION BONDS, 2024

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